

Addressing Chronic Poverty in Remote Rural Areas through Social Protection: A Case Study of Workfare in Nepal

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Declaration: I declare that this thesis represents my own original work and that all sources used have been acknowledged.

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Abstract

Building on existing analysis of chronic poverty, social protection and remote rural areas (particularly mountainous areas), this thesis examines the synergies between the three issues in order to assess the suitability of social protection strategies to address chronic poverty in these harsh environments. The social protection measure of workfare is found to be a natural fit with both chronic poverty and remote rural areas. Primary data from a workfare program in the remote Karnali region of Nepal was gathered and is used to examine what social protection can do for the chronically poor and how it is able to achieve these results. The program is shown to be able to provide income, assets and insurance to the chronically poor through a variety of means. Eight key elements of workfare programs enhance the ability of the programs to provide the benefits that address the particular needs of the chronically poor in remote rural areas.

In choosing appropriate interventions to address the immediate and longer-term needs of the chronically poor who suffer under a number of constraints (not just a lack of income), the choice is not between welfare mechanisms, which smooth the income of the transitorily poor, and growth-oriented development interventions. Social protection strategies are much more than simple welfare mechanisms; they do act as a safety net to stop the chronically poor falling further into poverty but they also act as a ladder to facilitate the escape from poverty. They can support and enhance growth and should be viewed as an investment, not simply a cost. Workfare is so well suited to addressing chronic poverty in the case study area that in extremely remote environments it goes beyond being a strategy that could be used to being one that should be used. It offers active pathways out of chronic poverty and even in performing its safety net function, provides a security of income that has the potential to act as a livelihood promotion measure.

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Abbreviations

ADB	Asian Development Bank
CBS	Central Bureau of Statistics (Nepal)
DDC	District Development Committee
DfID	Department for International Development (UK)
DRSP	District Roads Support Programme
GDP	Gross Domestic Product
GTZ	German Technical Cooperation
ICIMOD	International Centre for Integrated Mountain Development
IFAD	International Fund for Agricultural Research
ILO	International Labour Organisation
IRDP	Integrated Rural Development Projects
MEGS	Maharashtra Employment Generation Scheme
MDGs	Millenium Development Goals
NGO	Non-Government Organisation
NR	Nepali Rupee
OECD	Organisation for Economic Co-operation and Development
PCC	Programme Coordination Committee
PLA	Participatory Learning Actions
PLIC	Protecting Livelihoods in Crisis
RCIW	Rural Community Infrastructure Works
SAAPE	South Asia Alliance for Poverty Alleviation
SNV	Netherlands Development Organisation
UNDP	United Nations Development Programme
VDC	Village Development Committee
WFP	World Food Programme

CHAPTER 1

Introduction

Chronic poverty, defined as the experience of severe deprivation for an extended period or for the entirety of a person's life, has received increased attention recently. There is increasing recognition in certain developing countries that, despite achieving reductions in poverty due to people participating in growing economies, there are parts of populations that are unable to effectively participate in a country's growth and who are remaining extremely poor. To examine the phenomenon of chronic poverty, the Chronic Poverty Research Centre was established in 2000 as an independent research centre in the United Kingdom. One of the fields of analysis the Centre has identified as requiring particular attention is remote rural areas. A focus on these areas is required because there is a danger that they will be left even further behind as their countries develop. Other poverty stricken people in developing countries are often excluded from development processes for a variety of reasons but, in remote rural areas, market failure is severe; there is often no access to functioning markets or to basic services which are provided as standard in more integrated areas.

Ravallion and Jalan (1997) have termed areas where poverty seems to be determined by the physical environment "spatial poverty traps". The remote rural area of the Karnali Zone, where the case study for this thesis is situated, clearly displays the characteristics of such a trap. The surrounding Hindu Kush-Himalaya is a mountainous region encompassing 150 million people who live in eight countries; Nepal, Afghanistan, Pakistan, India, China (Tibet and Qinghai), Bhutan, Bangladesh and Myanmar. While there are many obvious differences between the peoples of the region, the characteristics of the constraints that keep them in a situation of chronic poverty are generally the same even though the people may be constrained by the particular characteristic to a greater or

lesser extent. Thus, the findings of the case study may be applicable to a large part of the immediate region and potentially elsewhere in comparable environments.

There is evidence to suggest that people in remote rural areas are often in a situation that has been described by de Haan and Lipton (1998) as a “logjam of disadvantage”. This refers to a state of having so many layers of constraints and disadvantages that reinforce each other that it is almost impossible to escape from poverty. The logjam works at the level of the individual, the household, the group and the region. This thesis aims to better understand the logjam and to consider ways in which it could be dismantled. This will be done by concentrating on new research at the level of the region, looking at chronic poverty in relation to remote rural areas. The spatial dimension of poverty will be shown to be the most difficult log to shift and the one deemed by most chronically poor as their key constraint. It will be argued that social protection strategies - that is, strategies aimed at reducing chronic conditions and acute risk - are essential to provide the chronically poor with the necessary resources for them to begin the dismantling process themselves.

Within the literature, chronic poverty is generally viewed as being due to a lack of assets and transitional (or periodic) poverty due to a lack of access to income smoothing strategies. The latter is seen to be best addressed by some type of safety net mechanism and the former requires more active income generating development strategies. Chronic poverty is characterised by a lack of assets but it is also characterised by an extreme vulnerability which can be best addressed, as a first step, by social protection strategies. Vulnerability, defined as the inability to cope in adverse conditions, is most often associated with transitional poverty as this inability to cope is what causes the slide into poverty. However, the concept of vulnerability should also be central to the understanding of chronic poverty as people in chronic poverty experience the inability to cope on a regular basis. The ability of social protection to address this vulnerability can then provide pathways out of chronic poverty by, for example, increasing risk-taking behaviour that can serve to increase production. While social protection in some circumstances will still be able to be viewed as a safety net, it can also importantly be viewed as a ladder, and thus focusing on *ex ante* measures, which provide greater security

to populations and reduce the use of safety nets, is a rational strategy to pursue for the chronically poor.

Social protection for the chronically poor in this thesis will be examined in the context of recent research that has been undertaken at the level of the region that supports the belief that a macro view of the causes of poverty in remote rural areas should be taken. This research suggests that poverty in remote rural areas results primarily from the constraints of being in an unfavourable geographic location rather than because of individual household endowments. Inequality is low but there is an inability to leave poverty because, even if a household is able to increase its resources, human or material, it is still constrained by the surrounding environment. The extent to which other development strategies can function effectively until this geographic constraint is addressed is in doubt. Thus, in the absence of infrastructure or asset provision from any other sources, an effective social protection strategy in remote rural areas must have some focus on reducing the isolation of the population.

In light of the analysis of social protection as an appropriate strategy to address chronic poverty, combined with the analysis of the view that whatever the situation of the household the condition of chronic poverty will remain because of physical location constraints, the thesis will examine how social protection can improve the situation of extremely vulnerable households within the overriding constraint of the physical environment. In doing so, the thesis will examine whether regional targeting of social protection measures is appropriate and how any social protection measures can complement or displace existing informal arrangements. The overarching research question is: **can social protection be an appropriate mechanism to address the particular needs of the chronically poor in remote rural areas?** In answering this question the thesis's key arguments are: **1) that social protection measures are essential in remote rural areas in order to enable people to effectively address chronic poverty and 2) that such programs can fit well with both the characteristics of remote rural areas and the needs of the chronically poor.** While it is recognised that other state and private interventions will be required to address poverty, without

social protection policies the chronically poor will be less able to adequately express their capabilities and take advantage of opportunities to exit poverty.

In summary, the objectives of this research are to:

- 1) establish that remote rural areas are often characterised by spatial concentrations of chronically poor whose pathways out of poverty are constrained and ascertain the main contributory factors to the chronic poverty;
- 2) examine the assertion that, no matter what the household resources, the primary cause of poverty in remote rural areas is the physical environment;
- 3) establish that social protection is key to addressing the vulnerabilities of the chronically poor in remote rural areas;
- 4) investigate appropriate social protection strategies given the new information about the dynamics of chronic poverty in remote rural areas and form a hypothesis about what particular social protection mechanism suits the characteristics of the chronically poor in remote rural areas; and,
- 5) test the hypothesis in the Karnali Zone of the remote and mountainous Mid Western Nepal.

Research into chronic poverty in remote rural areas is essential if any real steps towards its eradication are to be made. Unless appropriate measures are taken, millions of people may be stranded in chronic poverty in these remote areas, unable to participate in their countries' growth. This research does not aim to provide all of the answers to the very difficult issues being faced by the chronically poor in remote rural areas but instead seeks to focus on a certain type of intervention, social protection, and demonstrate its complementarity with this type of poverty in these types of environments.

The thesis is divided into six chapters:

- *Chapter 2* examines the current literature on chronic poverty, social protection and remote rural areas and begins to draw some linkages between the three.

- *Chapter 3* looks at various social protection mechanisms and argues that for the chronically poor in remote rural areas, workfare programs are a suitable mechanism to address the particular type of poverty in the particular environment.
- *Chapter 4* provides background to the case study set in the Karnali Zone in Mid Western Nepal in terms of the development situation across Nepal and in its remote rural mountainous areas in particular. It provides further background on the specific geographical location and the characteristics of the population of the Karnali Zone and details the workfare program on which the case study will focus.
- *Chapter 5* forms the case study where the hypotheses drawn in Chapter 3 are tested in the case study area and focuses on the extent to which spatial concentrations of chronic poverty exist as well as what the workfare program is able to do for the chronically poor in remote areas and how it is able to do it.
- Based on the findings of Chapter 5, *Chapter 6* concludes with an assessment of social protection's ability to address chronic poverty in remote rural areas.

CHAPTER 2

Overview of Current Arguments, Key Concepts and Definitions

Bringing together research on such complex issues as chronic poverty, social protection and remote rural areas requires that, as a first step, each area is examined, current thinking outlined and areas of contention highlighted. This will allow a greater understanding of how these areas have the potential to complement each other and what the limitations may be in seeking to link them. The thesis will then be able to build on this work to extend some of the existing analysis surrounding the extent to which social protection strategies could potentially be used to effectively address chronic poverty in remote rural areas.

2.1 Chronic Poverty

2.1.1 Types of Poverty – Do they Matter?

The differentiation between types of poverty, in terms of the duration the poverty is experienced, is only a relatively recent development. In most of the poverty literature of the 1990s poverty is largely viewed as a static concept with the poor being a group of around 1.2 billion (Devereux, 2001). There are some benefits in viewing poverty in this manner. Having such a large group of people who are seen to be sharing the same misfortune can focus the public's attention on the issue and spur donors to act to alleviate poverty. Viewing the poor as a homogenous group also has the benefit to donors of simplifying potential interventions and simplifying goals.

While the static concept of poverty is still prevalent, there is an increasing body of literature that recognises the dynamic nature of poverty. Some people may move in and out of poverty across their entire life course whereas others remain firmly below the poverty line. Being able to differentiate between those who are consistently below the

poverty line and those who occasionally fall below it has been found to have important ramifications for how poverty should be addressed.

The Millennium Development Goals (MDGs) may serve to capture the public's attention but they have been criticised by Hulme and Shepherd (2003) as falling into the trap of viewing the poor as a single group with a common problem of having a low income. The key MDG is to halve the number of people living on less than \$1 a day. This monetary focus may be good in terms of mobilising donors but it does little in terms of providing a way to address the problem. Poverty is a multidimensional issue. Income is important, but the poor, especially those who have been poor for a long period of time, often have many obstacles in their way in any attempt to escape poverty. Seeing their prime problem as low monetary income does little to guide effective policy. Hulme and Shepherd (2003) argue that not all poor people should be viewed as those who have not been effectively integrated into the market as is often assumed. While market forces do have the potential to lift many poor people out of poverty, many will miss out. Some of the poor experience so many other constraints that they are often unable to take advantages of opportunities the market can bring. By not differentiating between the different types of poverty people experience, the MDGs make the mistake of focusing only on those who can easily be lifted out of poverty.

Despite the MDGs, it is becoming increasingly accepted within the development community that poverty is often not simply a phenomenon relating to a lack of income. The multidimensional nature of poverty is being recognised, and the income level, while important, is being seen for certain groups as just one of the characteristics of poverty that needs to be addressed to ensure an escape from poverty.

The question that then arises is: how do policy makers differentiate between those whose main problem is a lack of income and those who are kept in a situation of poverty by a variety of constraints? The accepted practice has been to divide those in poverty into two groups: the transitorily poor and the chronically poor. The transitorily poor fall into poverty at different points across their life courses. It is believed that most poor people

fall into this group (Barrientos and Shepherd, 2003). The chronically poor in contrast remain poor for extended periods of time and are commonly victims of intergenerational poverty (Bird *et al*, 2001). They are also likely to produce offspring who will remain in poverty. The chance of escaping poverty is tied to how long a person has experienced poverty (Yaqub, 2002). Duration is thus the key determinant of chronic poverty.

However, there is still some contention over the length of time in poverty which relates to long-term persistent poverty. In a study of developed countries, Yaqub (*ibid*) found that the probability of poverty increases conditionally on past years' poverty and that after four years of poverty most remained in poverty. Such data does not exist for developing countries, so it is yet to be determined what length of time in poverty will likely extend to a lifetime of poverty (Barrientos and Shepherd, 2003).

While most countries do not distinguish in their poverty alleviation strategies between chronic and transitory poverty, Barrientos and Shepherd (2003) highlight that there is a fundamental political bias away from addressing chronic poverty. The distinction between chronic poverty and transitory poverty needs to be clearly made so that policy makers are not under the misapprehension that their strategies affect all types of poverty equally. The bias arises because generally more people are affected by transitory poverty, and it is a more widespread phenomenon across different parts of society (*ibid*, 2003). Further, because transitory poverty normally involves temporary income shortfalls, it is easier and faster to address than chronic poverty which can involve a long period of unpicking various social and economic constraints. Governments thus obtain more political mileage from strategies which address transitory poverty.

The drivers of transitory poverty and chronic poverty are very different, and hence the policy responses also need to be very different. Appropriate policy responses will be covered in greater detail later in this thesis, and there is some contention over how the two types of poverty should be handled, but typically income smoothing strategies are suggested for transitory poverty and strategies to increase assets and returns to labour and capital are suggested for chronic poverty (McCulloch and Baulch, 1999). It is thus important to ensure that targeting of particular groups is not based on data from one point

in time. Making policy decisions based on income or consumption in a single time period risks including the transitorily poor who are having temporarily bad fortunes and excluding the chronically poor who are having temporarily good fortunes (*ibid*).

2.1.2 Who are the Chronically Poor?

The multidimensional nature of chronic poverty renders it difficult to measure. Monetary measures do not capture all of the dynamics of poor people's lives. Further, panel data is most often based on the household unit, but it has been recognised that severe inequities can exist within households resulting in the chronically poor living within non-poor, or transitorily poor, households. These problems of measurement remain, especially in areas where data is scarce. The main measurement approaches must thus be seen as best estimates.

There are three key measurement approaches: 1) the spells approach; 2) the components approach; and, 3) the use of proxies. Under the spells approach, the chronically poor are identified by the number and length of periods they experience below the poverty line. For example, a household would be considered chronically poor if, over a period of ten years, its income was below the poverty line each year. The components approach distinguishes the permanent component of a household's income or consumption from the transitory components. A household is considered chronically poor if this permanent component remains below the poverty line (McKay and Lawson, 2003). Under the components approach, chronic poverty is measured by average income below the poverty line over a specific period. Using the same example as above, a household would be considered chronically poor if its average income over the ten year period was below the poverty line regardless of the situation in individual years.

McCulloch and Baulch (2003), in their analysis of poverty in rural Pakistan, used the components approach. They deemed a household to be chronically poor if its mean income was below the poverty line and to be transitorily poor if its mean income was above the poverty line but its annual income fell below the poverty line at least once during the period being analysed. This method of calculation thus means that chronically

poor households may not always be poor; that is, they could have some years above the poverty line but the other years would be sufficiently extreme to pull their overall average income below the poverty line or, alternatively, one extremely good year could potentially push a household average income above the poverty line. Yaqub (2002) contends that this method of calculation is a more accurate way to calculate transitory poverty and that the spells approach generally overestimates those in transitory poverty by up to 25 percent.

The recognition of the complexity of chronic poverty, and the misleading nature of income and consumption figures, has led to a greater focus on proxies for chronic poverty. To make static data more dynamic, certain indicators are being used which assist in capturing the nature of chronic poverty. In cases where indicators can be identified which have implications for duration, such as illiteracy or stunting, such proxies can be used to complement the income or consumption analysis of chronic poverty. The use of proxies has the benefit of being able to look over longer term time periods without short term fluctuations affecting the results (McKay and Lawson, 2003).

While the chronically poor may not necessarily be the poorest at any point in time, they are often severely poor (which is normally defined as living off under US \$1 to US \$2 a day). An analysis of the severity of poverty sometimes accompanies the duration analysis. In Mehta and Shah's (2003) investigation of chronic poverty in India, in addition to the analysis on duration and the multidimensional nature of chronic poverty, they focus on the severity of poverty to provide some further depth to the chronic poverty analysis. The severely poor have incomes at 75 percent of the poverty line or less, are unable to withstand shocks and are suffering from hunger, being unable to access two "square meals" a day (*ibid*). Knowing how severely poor the chronically poor are can assist in formulating methods to address their problems. The importance of developing a greater understanding of the characteristics of the chronically poor is further elaborated below.

2.1.3 What are the Key Characteristics of Chronic Poverty?

The determination of the characteristics of the chronically poor versus the transitorily poor has been the subject of much analysis (McCulloch and Calandrino, 2003; Jalan and Ravallion, 1998; McCulloch and Baulch, 1999). Results have been reasonably similar but there have been some differences in the findings. Chronic poverty and transitory poverty have been broadly differentiated in the past by looking at the level of assets; the chronically poor are generally very asset poor. Recent analysis has looked more closely at other characteristics of the chronically poor and has found the following:

- 1) *Demographic Characteristics* such as household size are more important to chronically poor households than transitorily poor households (Jalan and Ravallion, 1998). The household composition is also important, but it is unclear from the research the extent to which the dependency ratio is a determinant of chronic poverty. While household size is important, some analysis shows the dependency ratio to be a key characteristic of chronic poverty. McCulloch and Baulch (1999) assert that the chronically poor have a statistically higher dependency ratio than the never poor, whereas the transitorily poor do not. This finding is thus seen by the authors to be significant for targeting purposes for policy makers; the dependency ratio could be used as a proxy for chronic poverty. Bhide and Mehta's (2003) study of chronic poverty in India also found the number of dependent children to be a determining factor of severe poverty. Other analysis, however, shows that the dependency ratio is not significantly associated with being chronically poor (McCulloch and Calandrino, 2003). Further, generalisations such as "single parent households are more likely to be part of the long term poor" (McKay and Lawson, 2003; 431) can mask the complexity of the characteristics of chronic poverty. For example, in a study of chronic poverty in rural Sichuan it was found that female-headed households were less likely to be chronically poor, perhaps because of remittances (McCulloch and Calandrino, 2003). What was found to be a more important factor was the reason behind the household having a single female head. Widowed females heading households were more likely to be chronically poor. Data tables are unlikely to provide such detailed information.

- 2) *Human capital characteristics* have been found to be an important determining factor of chronic poverty. Having low formal and informal education levels has been identified as having an association with chronic poverty (McKay and Lawson, 2003) but there remains some contention over the extent to which education is an appropriate strategy to lift people from chronic poverty. The role of education, and its importance as an initial condition required to exit chronic poverty, will be covered in more depth later in this section.
- 3) *Livelihood characteristics* - that is, how a person earns a living - can be linked to chronic poverty. In a study of chronic poverty in Bangladesh, the non-poor workforce and those rising out of poverty were shown to have significantly moved to the non-farm sectors. In the 12 year study, the percentage of non-poor in the non-farm sector had increased from 36 to 61 percent, and those rising from poverty had increased their non-farm activities from 38 to 56 percent (Sen, 2003). The proportion of the chronically poor engaged in non-farm activities had only moved from 23 to 38 percent (*ibid*). Caution must be taken when generalising, as even though most of the literature would suggest that an agricultural worker in a marginal area with no access to off-farm employment or any social protection measures would be vulnerable to chronic poverty, this may not always be the case. Research in Peru, for example, has found that chronic poverty is associated with household heads employed outside the household (McKay and Lawson, 2003). Other complicating factors can be the layers of exclusions a worker experiences. The occupational status may not be associated with chronic poverty for men, but for women there may be a strong association. Female agricultural workers in India, for example, are normally paid one half or two thirds that of the male workers (Mehta and Shah, 2002). Therefore, while a person's occupational status can be a key characteristic of chronic poverty it must be viewed carefully to determine its impact on keeping them poor.
- 4) *Mobility characteristics* are not often mentioned in the general literature reviewing chronic poverty but recent research on migration shows that often those who do not migrate are the ones most likely to be chronically poor (Kothari, 2002). The less poor have the ability to shift to different locations to maximise

their earning opportunities (Hossain *et al*, 2003). Even if this is a “struggle to stay put” as Rogaly (2003) terms it, those who can take advantage of being able to leave home to undertake what may be arduous manual work are generally not chronically poor. Indeed, Kothari (2002) states that it is often only the less poor who have the necessary capitals - that is, the human, social and economic capitals - to take advantage of this strategy. McDowell and de Haan (1997) support this analysis through their finding that landless migrants generally migrate less. Kothari (2002; 4) notes that the most chronically poor are those who stay in an area where others have left as “it is a condition of their poverty, through the peculiarities of their exclusion, which prohibits migration as an option”.

- 5) *Geographical location* characteristics are increasing in importance as more is being learnt about the chronically poor. It is being increasingly accepted that geographic location can be the primary determinant of chronic poverty (Ravallion and Wodon, 1997; McCulloch and Calandrino, 2003). This characteristic of chronic poverty is one of the prime areas of focus for this thesis and will be examined in greater detail later in this chapter.

2.1.4 Why Fall, Why Stay, Why Rise?

While it is useful to have an understanding of the characteristics of the chronically poor, it is necessary to go beyond this analysis to look for the processes at work. The transitorily poor are characterised by their dynamism - they move into and out of poverty. The chronically poor, although defined by their duration in poverty, are not a static group. The processes which have led them to chronic poverty, which keep them in chronic poverty, and which prevent or allow exit from this state, are extremely important areas of analysis.

Hulme's (2003a) analysis of life histories as a method of understanding poverty dynamics points to two very clear processes. The first is related to the slide into poverty and how strategies to prevent the slide, such as the use of economic and social capitals, can fail. The second related to how, once the slide has occurred, the subjects of the analysis became trapped and were unable to improve their social and economic circumstances

(*ibid*). Hulme and Shepherd (2003) add a further dynamic, the escape from chronic poverty. Analysing how the chronically poor are able to lift themselves to a less poor status is key to any understanding of appropriate strategies to combat chronic poverty.

In a study of rural Pakistan, Baulch and McCulloch (2002) find that the correlates of poverty status and entry and exit into poverty can differ. The correlates of poverty status were the dependency ratio and the geographic location, whereas the correlates of entry and exit related to education and livestock ownership. The policy recommendation was thus that the focus should be on decreasing the entry points and increasing the exit points rather than focusing on the correlates of poverty status.

Very different factors can be involved in entry to and exit from chronic poverty. The descent into poverty is generally characterised by income shocks arising particularly from natural disasters and ill health, whereas the ascent from poverty is characterised by the ability to overcome structural obstacles and to pursue multiple strategies at the one time (Sen, 2003). Households that have been able to exit chronic poverty have been found to be faster accumulators of financial, physical and human assets and were better diversifiers, especially into non-agricultural activities (*ibid*). However, even when these obstacles can be overcome, Yaqub (2002) notes that there is a “distance” problem; that is, many of those who are able to escape poverty do not rise far. In a South African study, the income of 41 percent of those who exited poverty remained within 1.25 times the poverty line (*ibid*).

2.1.5 Importance of Initial Conditions in Exiting Chronic Poverty

Having a good understanding of how people fall into chronic poverty, why they stay there and how they leave is helpful in developing policy to lift people out of chronic poverty. What deserves more attention are the constraints preventing people from accessing the appropriate strategies to exit chronic poverty. In Sen’s (2003) analysis of the strategies for exiting poverty, he emphasised the importance of initial conditions in being able to successfully access these strategies. The initial conditions of the chronically poor are typically such that their ability to combine appropriate strategies to successfully

exit poverty is diminished. The probability of successfully avoiding or exiting chronic poverty has been shown by Sen to be very closely tied to initial asset position. There is some contention in the literature as to the relative importance of other initial conditions that assist in successfully avoiding or successfully exiting chronic poverty. The importance of education, literacy in particular, is especially contentious.

In a study of chronic poverty in rural Uganda, the ability of a household to move out of poverty was shown to be influenced by its initial asset base, its health status and its access to electricity and infrastructure (Bird and Shinyekwa, 2003). When looking for appropriate policy approaches to assist in exiting poverty, the study emphasised that improving infrastructure such as road access was less important than improving household characteristics such as the number of literate household members and the quality of the land holdings. De Haan and Dubey, (2003) support the focus on the quality of assets by noting in their study of chronic poverty in India that part of the scheduled tribes' disadvantages stem from not having less land but having more marginal land.

In examining the effectiveness of economic growth on poverty in India, Datt and Ravallion (2002) emphasise the importance of initial conditions such as education, health and landlessness for the effectiveness of non-agricultural growth in decreasing poverty. Particular emphasis is placed on literacy. Low educational attainment has reduced the capacity of people to participate in the opportunities that come with growth. A key finding of their study is that economic reform must go hand in hand with human resource development to be able to have any real achievement in poverty reduction (*ibid*).

While not providing a direct link to existing chronic poverty, education was shown to be important in McCulloch and Calandrino's (2003) study of chronic poverty in rural Sichuan both in terms of the household head and other members of the household. Poor education greatly increased the chance of being chronically poor. Jalan and Ravallion (1998) supported this notion in their study of chronic poverty in rural China and further noted that household education levels had little effect on transitory poverty. Living in an

area with better attainments in health and education reduced chronic poverty, but not transitory poverty (*ibid*).

Education has many meanings, and some studies have sought to differentiate the level of education and the effect on chronic poverty. Levels from basic literacy to secondary schooling have been shown to be the important level in a number of these studies (McKay and Lawson, 2003). In the Bangladeshi study, Sen (2003) showed that the initial endowments of human capital were extremely important. The never poor had average years of schooling levels three times higher than that of the chronically poor. As well as characterising the poor, he found that households rising out of chronic poverty had increasing average years of schooling. While this would seem to lend weight to an argument that schooling levels positively impact escape from chronic poverty, further analysis would be required to determine the extent to which this is just an effect of changes in other characteristics or whether the rise can be attributed to schooling; that is, whether it is a cause or an effect of exiting poverty.

Not everyone, however, agrees that education is always so closely linked with chronic poverty. In an analysis of who escapes and who remains in poverty, Grootart, Kanbur and Oh (1997) show that while education is a very important part of escaping poverty in urban areas, it plays a much smaller role in rural areas. The initial conditions that favoured exit in this African study were households with fewer members, household heads younger than 45, well equipped farms and access to non-farm sources of income (*ibid*). Education was not requisite to exit. Literacy has also been shown to potentially negatively affect poverty. While Bhide and Mehta (2003) found that in India literacy generally is a factor which contributes to the ability to escape from poverty, in examining whether literacy levels affected scheduled caste and scheduled tribes more or less so than other households, they found that there was an adverse differential impact on scheduled tribes. A potential explanation was that literacy reduced the willingness to continue the traditional way of life but, due to the isolation of the scheduled tribes, income earning opportunities using the literacy skill were rare (*ibid*).

Summarising this section, it is clear that there remain some benefits to presenting the poor as a homogenous group as has historically been the practice but, as we accumulate more knowledge about the chronically poor whose constraints to exiting poverty extend well beyond a lack of income, it is impossible to ignore the benefits of disaggregating different types of poverty. Only by recognising these different constraints can appropriate strategies be designed to prevent people from falling into poverty and remaining there, as well as assisting people to exit poverty. It is within this context that the next section will examine social protection as a potential strategy for the chronically poor.

2.2 Social Protection

2.2.1 What is Social Protection?

Social protection has been an evolving term. Throughout the 1990s it predominantly referred to safety nets, a means to stop the vulnerable from slipping into poverty. The World Bank, in their 1990 World Development Report, highlighted the importance of safety nets as a means to help people through short term shocks (World Bank, 1990). The recommended use of safety nets was broadened by the World Bank during the 1990s to include those in chronic poverty, not just those who were at risk of falling into poverty. But it was still seen by some to have very strong welfare connotations and to reduce the poor to “passive recipients of handouts” and it “made very little contribution to broader development goals or to sustainable poverty reduction” (Devereux, 2002a; 661). As a result of this criticism a greater emphasis was put on the proactive nature of social protection. It is being increasingly seen as not just a means to catch people when they are falling, but also as a “rope”, a “ladder” or a “trampoline” to help people exit poverty (Conway and Norton, 2002).

This new understanding of social protection - that is, as a way out of poverty - carries with it a number of new meanings. It is no longer just trying to address the symptoms of

poverty, but also the causes, insofar as the causes of poverty are related to the many risks that the poor face and their vulnerability to the effects of this risk (World Bank, 2001). Because of this focus on risk, social protection is increasingly seen to be forward looking and an investment in poverty reduction rather than a cost (*ibid*). Social protection also acknowledges the many different kind of risks that can affect a household and thus acknowledges the multidimensional nature of poverty (Barrientos and Shepherd, 2003).

Definitions of social protection vary between different donor agencies and reflect the perspective of the particular agency. The World Bank defines social protection as: “public interventions to (i) assist individuals, households, and communities better manage risk, and (ii) provide support to the critically poor” (Holzmann and Jorgensen, 2000). The emphasis here is on income protection and agency which is in line with the World Bank’s other strategies (Barrientos and Shepherd, 2003). The International Labour Organisation (ILO) defines social protection as “entitlements to benefits that society provides to individuals and households – through public and collective measures – to protect low or declining living standards arising out of a number of basic risks and needs” (van Ginneken, 2000). The emphasis here is on basic rights. The definition most commonly used in the academic literature is from Conway, De Haan *et al* (2000) who define social protection as consisting of “public actions taken in response to levels of vulnerability, risk, and deprivation which are deemed socially unacceptable within a given polity or society”.

Perhaps the clearest definition that encompasses all of the above is that given by Farrington *et al* (2003; 1) which is “efforts to reduce the effects of chronic conditions (e.g. old age) or acute risk (e.g. drought or economic shocks) on vulnerable groups”. The key question then is who are these “vulnerable groups”? To answer this it is necessary to look at the concept of vulnerability in greater depth, as it is a term that can have very different meanings within the literature.

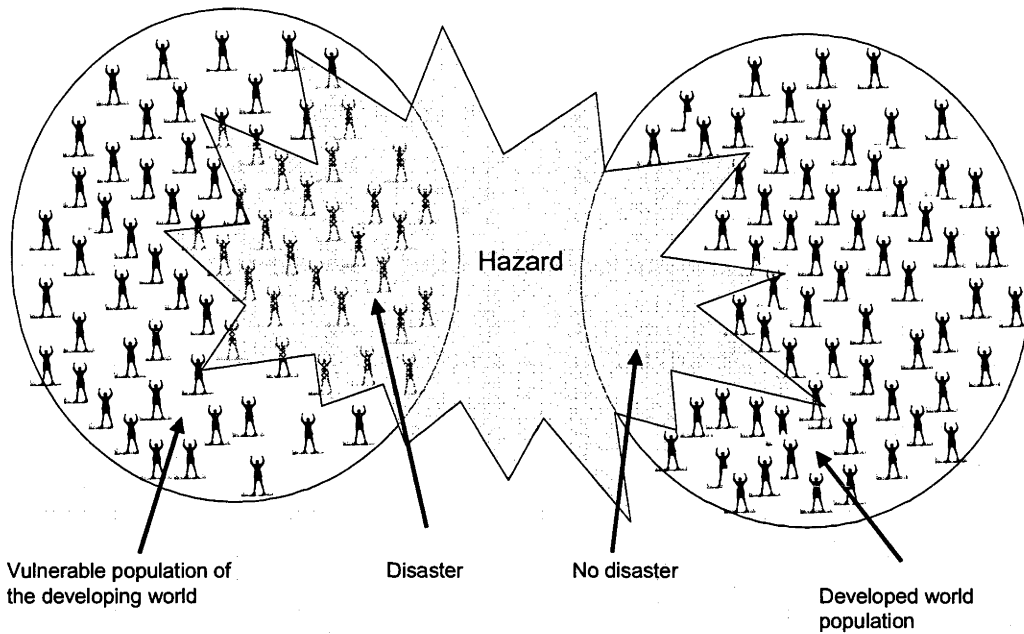
2.2.2 Conceptualising Vulnerability

Vulnerability has been viewed in a variety of different ways in the chronic poverty literature. Martin Prowse (2003) analysed the Chronic Poverty Research Centre's working papers and found that there were benefits to the study of chronic poverty in disaggregating the concept of vulnerability. The most common usage of the word vulnerability within the literature was in the sense of "vulnerability to poverty". Prowse highlights that the problem with such an understanding is that it is only focused on the transitorily poor and not the chronically poor who are already in poverty. Another understanding was vulnerability to the effects of poverty. Rather than focusing on the likelihood of falling below the poverty line, this conceptualisation focused on the outcomes of poverty such as lower nutrition, education etc. Others saw vulnerability as a cause of poverty in the sense of vulnerability to shocks. It was also viewed as just one dimension of the many dimensions of poverty.

Prowse (*ibid*) does not dismiss any of the conceptualisations of poverty, but he does point to their limitations and sees benefits in viewing vulnerability as a cause, symptom and constituent part of chronic poverty. The most important link to be made in any discussion of vulnerability is that between vulnerability and risk. Hulme and Shepherd (2003) make this link by suggesting that vulnerability should be seen as the risk that a household will be unable to cope in the face of adverse conditions. Such a conceptualisation allows for the fact that all of the vulnerable are not chronically poor, but all of the chronically poor are vulnerable.

Arguments have been made that greater attention needs to be paid to vulnerability because a hazard is just a hazard until it intersects with a vulnerable population; it then becomes a disaster (Prowse, 2003). The hazard could be a natural event such as a heavy monsoon or an economic event such as the Asian financial crisis in 1997. Ninety-nine percent of all natural hazard disaster related deaths occur in the developing world (*ibid*).

Diagram 1 – Vulnerability and Disasters



Source: Author

That so few people die from natural disasters in the developed world leads to the view that it is the vulnerability of the population rather than the hazards that require attention (Chambers, 1989). Devereux (2002a) supports the two dimensional view of vulnerability, the first being the exposure to risk (i.e. likelihood that a shock will affect an individual), and the second, the susceptibility to that exposure (i.e. the ability to cope). In the case of the chronically poor, the ability to cope is impeded by layers of constraints, such as their sex, caste or ethnicity, that have kept them in poverty for such a long duration. One extra layer of constraint could make the difference between coping and not coping.

With such renewed focus on the importance of vulnerability, it is unsurprising that the idea of measuring it arises in the literature. However, the problem with measuring vulnerability is that it is in a sense a measure of those things which are not there; an absence of “voice”, social protection, basic needs and coping options (Prowse, 2003).

Because vulnerability is a cause, symptom and constituent part of chronic poverty, it further complicates measurement. McCulloch and Calandrino (2003) attempt to measure vulnerability, and while the analysis does complement the work they also undertook on the determinants of chronic poverty, their definition of vulnerability was very narrow: the probability of a household being below the poverty line in any given year (*ibid*). They were also looking backwards, and measuring how households reacted to changing conditions rather than trying to determine who are the vulnerable before any shocks push them into poverty.

While the measurement of vulnerability is difficult, a proxy used by some is asset balance (ODI, 2003; Moser 1998). This focus on assets is due to the emphasis put on the capacity to cope with shocks. Economic, social and physical endowments can determine how well a household can withstand a shock. Such assets can be measured before any such shocks occur. As will be discussed below, having an *ex ante* focus, such as this view of assets, rather than *ex post*, is important when looking for ways to most effectively protect vulnerable populations.

2.2.3 Types of Social Protection

Social protection is very broad in scope. It covers interventions as diverse as giving handouts of food to strengthening market links between rural and urban areas. While social protection can take many forms, all social protection activities can be distinguished as being either a promotional measure, a preventative measure or a protective measure (Guhan, 1994). Some social protection interventions may fall into more than one of these categories.

This conceptualisation of social protection moves from the macro to the micro environment. Promotional measures, for example, focus on ways to improve real incomes and capabilities and often focus on the economic environment and ways to reduce constraints to productive economic activity (Kabeer, 2002). Prevention methods are the *ex ante* approaches that focus on direct poverty alleviation strategies designed to make people less vulnerable and avert deprivation. *Ex ante* measures to reduce risk have

received renewed attention of late as they effectively reduce the need to cope and decrease the need for *ex post* safety net measures (Devereux, 2001). When the promotional and preventative social protection strategies fail or, more commonly, do not exist, protective measures are required. These are the typical safety nets which are necessary to stop people falling into extreme poverty which they may not be able to escape, or if already living in extreme or chronic poverty, some level of safety net can guarantee basic survival.

There are some clear cross overs between the different types of social protection. For example, just the existence of protective safety nets can act to change the risk taking behaviour of people in chronic poverty. Not living in constant fear of a calamity and preparing for such events allow other objectives to be pursued (Unni and Rani, 2003). It could also be argued that even if pursuing these other objectives is unsuccessful, creating an environment where people are no longer living in constant fear is a goal in itself. Safety nets thus have a clear role in promoting livelihoods as well as the role they are commonly ascribed as just being purely protective measures. The promotional role is often undervalued and has the potential to increase the focus on protective measures as a way to address chronic poverty (Devereux, 2002a). This link between security and risk taking will be examined in greater detail below.

2.2.4 Risk Minimisation as a Precondition for Security and Growth

Risk and vulnerability are key drivers of the descent into poverty but the literature has been unclear on the extent to which risk and vulnerability keep people in a state of chronic poverty (Barrientos and Shepherd, 2003). Much of the recent literature on chronic poverty makes at least some mention of risk and its effects on productivity. Hulme and Shepherd (2003) suggest that the poor's main concern is not that their level of capabilities, income or consumption are low, but rather that they will experience a decline in their existing levels. The key argument is that in endeavouring to decrease exposure to adverse events in bad times the resulting effect can lead to lowering average returns in good times (Conway and Norton, 2002). The poor cannot afford a major setback so, in the absence of sufficient social protection measures, they do not have the

luxury of taking risks in good times which, if not successful, could damage their ability to cope in bad times. This entrepreneurial constraint is a possible explanation for the duration of chronic poverty.

Wood (2003; 455) extends this analysis by suggesting that “the determining condition for poor people is uncertainty” and that security is so valued by the poor that they will not always make rational choices. The continued need to survive in the present often causes the poor to discount the future, which can sometimes lead to a patron-client relationship which serves this security need but also limits access to exit routes from poverty. Any type of strategic preparation for the future is continuously postponed for survival and security in the present (*ibid*).

Access to formal risk minimisation measures to deal with this overwhelming need for some level of security are generally absent for the poor. In Hulme’s (2003a) analysis of the decline into poverty of a mother and son in Bangladesh, he demonstrates how the need to sell all of the family’s assets to pay for medical costs was one of the main drivers of the descent into poverty. Health insurance could have prevented such a decline, but such formal mechanisms are rare for people in developing countries working in the informal sector. Credit access is similarly rare for poor people, even though recent studies suggest that households that rise out of poverty generally have higher access to credit (Sen 2003). The absence of private insurance and credit markets from poor rural areas of developing countries would suggest that it is commercially not viable and it is a service that the government would have to take up, but recent analysis suggests that the need is so great for the poor that cost is not a major barrier to uptake, and therefore tremendous potential exists for the commercial provision of such services (Devereux, 2001).

While much of the chronic poverty literature focuses on risk and vulnerability and the behavioural effects of being part of a vulnerable group, there has been some focus lately on the contention that risk averse behaviour comes not from being vulnerable but from a resignation to continued deprivation. The argument is that continued deprivation can generate its own behavioural patterns which entrench poverty (Barrientos and Shepherd,

2003). Thus while chronic poverty can in part be understood in terms of risk and response, it may not take account of some of the structural factors which characterise chronic poverty. Too much focus on agency may not give a comprehensive understanding of chronic poverty (*ibid*). Aliber (2001) supports this view in highlighting the psychological dimension of poverty. Being resigned to being poor is seen as an important correlate to chronic poverty. It manifests itself in discouragement and risk aversion due to the belief that the poverty will endure no matter what action is taken (*ibid*). Moser (1998) also acknowledges that people's ability to recover from shocks is influenced by the psychological effects of deprivation and exclusion. While in a sense, this line of analysis is reminiscent of the literature on the "culture of poverty" of the 1960s (Lewis, 1961), it is relevant in this context because it could give some guidance on the effects of duration on the likelihood of escape from poverty and the potential reduction in agency of the chronically poor. It may also provide a realistic insight into the potential productivity increases delivered by reducing risk through social protection measures.

2.2.5 Compatibility Between Growth and Social Protection

Social protection has entered the mainstream development agenda and the debate has largely moved from whether or not social protection measures should be undertaken to what type of measures are the most appropriate. However, social protection has not been embraced with the same enthusiasm by all parties, and there remain some doubts about whether pursuing such policies at the expense of others, such as direct economic growth promotion, is the most effective way to decrease poverty. Arguing for a greater focus on export led growth in Africa, Fafchamps *et al* (2001) argue that development assistance has been unsuccessful largely due to a focus on social protection alongside growth promotion. Dollar and Kray (2000) also argue that the poor's share of income is not significantly affected by social spending. A further key criticism is that the leakages to non-target groups, and the adverse incentive effects on labour and savings, result in a serious trade-off against efficiency and growth (Ravallion, 2003). But perhaps the most common criticism of social protection strategies is that the poor are so numerous and governments' resources are so limited that no meaningful impact can be made (*ibid*).

Further research is required into the link between social protection and poverty reduction, but there is an emerging body of literature that supports the view that the benefits of social protection extend far beyond improvements in equity and do not necessarily involve any trade-off with economic growth (Ravallion, 2003). One of the key misconceptions is that the poor are a homogenous group who would be treated in the same manner in any social protection intervention and which would render effective interventions unaffordable. As has been argued earlier in this thesis, the poor are far from a homogenous group.

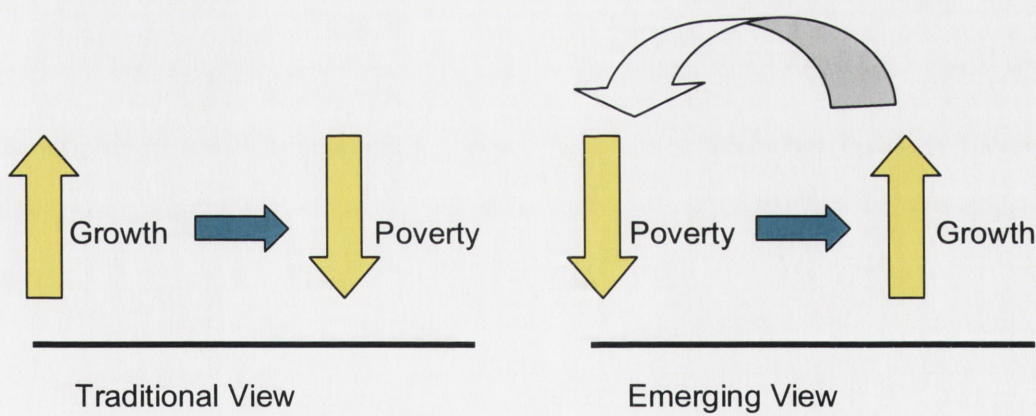
A typical starting point for the analysis of social protection measures is the cost of the interventions. The cost aspect is emphasised by its detractors with little focus on the potential economic benefits social protection measures can bring (Holzmann and Jorgensen, 2000). However, in trying to address the causes of risk and vulnerability, social protection measures are very much investments in developing the capacity of the poor to reduce the need to cope (Barrientos and Shepherd, 2003).

The key economic argument which supports social protection measures is: “that effective social protection arrangements put in place by the state can help the poor to escape poverty traps and participate in the economy, promote growth and ensure that when a major crisis hits, households do not fall as far, and can ‘bounce back faster’ (Conway and Norton, 2002; 534). Some sort of minimum income security is necessary for development. In examining the extent to which safety nets can reduce chronic poverty, Devereux (2002a) supports this view by arguing that there are many safety net programs targeted at the working poor and therefore directly impacting labour productivity. He also highlights the income and employment multipliers generated by income transfers to poor households.

One of the main arguments against social protection measures is the perceived trade-off between growth and income transfers. However, Ravallion (2003) proposes three arguments against there being a trade-off between increasing growth and decreasing

inequality: 1) people require appropriate nutrition to be productive; 2) the failure of credit markets means that many of the poor are unable to invest in physical and human capital and hence unable to exploit economic opportunities; and, 3) market failures create a link between spatial inequalities and growth, and therefore policies which compensate for these failures can stimulate growth. Transfers which were previously considered straight welfare measures can thus be analysed in terms of their potential economic impact. This can turn typical development arguments on their head, such as the long held belief that increasing growth decreases poverty. While this remains generally true, it also holds that decreasing poverty, through social protection measures, can increase growth. In supporting this view, Devereux (2002a) points to the cross-country finding that increasing GDP by one percent increases calorie intake by 538 kcal/day. Looking at the issue in reverse, if dietary energy supply is increased to 2,770 kcal/day, GDP per capita would increase by 1.23 percent per annum. Devereux (*ibid*; 663) concludes that: “feeding the poor is not just good social policy, it is also a sound economic investment”.

Diagram 2 – Poverty and Growth – Changing Views



Source: Author

Even if growth is viewed as the main way to assist people to exit poverty, growth in itself does not reduce the need for social protection. In most developing countries, the majority of the chronically poor remain in the informal sector and thus lack access to normal formal sector benefits which come with growth (Unni and Rani, 2003).

Sometimes social protection measures are supported for the pure welfare reason of decreasing inequality. The growth benefits are not examined and the measure supported purely for equity's sake (Ravallion, 2003). As described above, there is a growing view that pursuing equity also can have strong economic growth implications. In a recent study Ravallion (*ibid*) found that the growth rate of mean household income will be lower the higher the initial inequality. This is supported by Jha (2000) in a study of poverty and inequality in India, who found that the rise in inequality diminished the poverty-reducing effects of economic growth.

2.2.6 Traditional Safety Net Displacement

While investing in social protection measures may be positive for economic growth, if people are coping why should the government invest resources which could be used elsewhere? The key issue is that while people may be coping, they may not be coping adequately; coping strategies may be utilising scarce household resources that are difficult or impossible to replace. Coping strategies differ enormously, and in the face of adverse situations people's coping strategies may in fact mark a failure to cope. The poor's coping strategies can be evaluated not only by their effectiveness but also by the cost and reversibility of each action (Devereux 2001). A survival strategy, such as selling an entire herd of animals that represented a household's sole livelihood, cannot be seen as an acceptable coping strategy. Traditional coping strategies which render people chronically poor, or keep people in chronic poverty, are not effective.

People have been living with risk and vulnerability for centuries and have not been passive in the face of shocks. Traditional safety nets, normally in the form of social capital - that is, a reliance on community support - still exist today and there is a lively debate about the extent to which functioning traditional social protection measures should be built on or replaced. There is a particular concern about "crowding out" mechanisms that are working well and leaving beneficiaries of new schemes in the same position as they were before, or, if the new transfer scheme is not sustainable, the traditional protection may have been broken down to a point that people are left worse off than

before (Devereux, 2002b). If most of the transfers were coming from the rich in the community to the poor, then crowding out would be more of an issue, but the reality is that most traditional systems involve poor-to-poor transfers, and so are not robust in the face of shocks (Devereux, 2001).

The poor-to-poor transfers offer very limited assistance for a very limited amount of time (Prowse 2003) and, in the case of shocks that affect whole communities, they offer negligible assistance. Evidence in South Asia and Africa points to poor communities facing a period of heightened vulnerability due to traditional rich to poor transfers disappearing as a result of the rise in the market economy (Devereux, 2002b). The undermining of these traditional practices has occurred before efficient markets and services were in place, which could potentially offer the poor other sources of protection (*ibid*).

Traditional mechanisms should not be completely disregarded. Conway and Norton (2002) suggest that informal social protection schemes need to be fully understood by governments and state sponsored schemes built around them. They do, however, emphasise that even if state schemes crowd out traditional schemes this can result in a “crowding in” of other benefits, for example, in South Africa, with the introduction of a state pension scheme, funds which were previously sent to elderly parents were diverted to investments in children’s education (*ibid*).

2.2.7 Targeting – Who Should Access Benefits?

During the nineties, in developing countries where some level of social protection existed, there was a move away from universal benefits towards targeting. Untargeted methods, such as price subsidies, were being disproportionately captured by the non-poor (Devereux, 2002b). In India, for example, more than 50 percent of the benefits of centrally sponsored schemes have been captured by those other than the intended beneficiaries (Farrington *et al*, 2003). Targeting was seen as a way to counter this problem. By targeting resources only to those who are in need, the maximum public resources could be transferred to the poor (Devereux, 2002b). However, targeting comes

with its own difficulties – it has been found that elaborate targeting gives too much discretion to local officials and the schemes are therefore too open to manipulation (Farrington *et al*, 2003). There are also the initial screening costs.

In examining a way around the unintended consequences of targeting, Farrington *et al* (2003) suggest that rather than design cutting edge transfer programs that then have troubles in the delivery, the focus should rather be on effective delivery systems. Once a delivery system is identified which is resistant to benefits going to those other than the intended, the transfer program can be designed around the delivery system. The example of an effective delivery system provided by Farrington *et al* is a post office transfer scheme in India where small regular payments are provided to the elderly. The emphasis is on cash payments which can be small and regular and which are controlled by some degree of automation so only the intended beneficiaries access the funds. Farrington *et al* argue against in-kind transfers as the cost considerably exceeds the value of the product transferred.

Devereux (2002b; 3) agrees that administrative costs, such as identifying the eligible beneficiaries, associated with targeting can be high and “may offset the savings from universal benefits and undermine the fiscal sustainability of the programme”. He also emphasises that a key political problem with targeting is the loss of political support of those who have been excluded from the target group. Two other weaknesses with targeting that receive less attention are: i) the risk that interventions will become patchy; that is, some areas will be covered while neighbouring, but slightly less poor, areas may miss out; and, ii) perhaps the most important for the purposes of this thesis, is that because poverty is a dynamic concept, people can be considered eligible for social protection in one period but not in another. Because assessments of need are generally not as dynamic as the poverty the schemes are trying to deal with, people who should be included can miss out.

In designing targeted schemes, most policy makers' key concern is to minimise inclusion errors, but as Devereux (2002b) points out, poverty is a dynamic concept, so the concern

should rather be on minimising exclusion errors. He suggests that because of the potential serious consequences of excluding people who should be included, exclusion errors should be weighted three times higher than inclusion errors (*ibid*). Examining the potential for error in social protection schemes has supported the arguments of both those who argue for greater targeting and those who argue for more universal provision of benefits.

The self-targeting mechanism differentiates itself from other targeting strategies in a number of ways. It does not have the same administrative or political costs because people self-identify, and there is little risk that the ineligible will access the benefits because of the stigma attached. It is in a sense a mixture between a targeted transfer and a universal benefit; that is, it can theoretically be accessed by anyone, but only the targeted group access the benefits. Common examples of self-targeting mechanisms are those which require the recipient to queue to receive the benefit, the subsidisation of inferior goods that only the poor would want to buy and workfare (public works) programs. The key benefit of self-targeting mechanisms as a targeting methodology is that they get around the informational constraint often present in developing countries; that is, the government's ability to identify the target group (Ravallion, 2003).

One of the more famous workfare programs is the Maharashtra Employment Generation Scheme (MEGS), which has been running for over 30 years (Gaiha, 2003). It is funded largely from the taxes of the urban populations and has played an important role in the stabilisation of the incomes of the poor in the state as it provides work to anyone who wants it. The key factor which allows MEGS to work is its ability to keep the wage rate low to ensure that only the working poor use the scheme (Ravallion 2003). It also does not have the political problems of other social protection measures, as the wealthy urban populations who effectively fund the Scheme see it as a reasonable price to pay for containing rural to urban migration (Norton *et al*, 2001).

A limitation, which is common across all self-targeting mechanisms, is that the requirement for self-identification comes at a cost. Those who use these schemes must be

willing to be stigmatised as the poor and hence, while the administrative cost may be low, the social cost can be high (Kabeer, 2002). Some may not be willing to pay the high social cost that self-targeting schemes require. Higher caste Indians, for example, have felt culturally constrained and not able to participate in workfare programs (Norton *et al*, 2001). A key risk with self-targeting schemes is that being marginalised from the rest of society due to poverty status is often one of the dimensions of a poor person's poverty which limits exit routes (Devereux, 2002b). Stigmatisation as a poor person through self-identification for social protection measures may serve to reinforce that status and limit the poor's ability to escape poverty.

2.2.8 Social Protection as a Right and the Role of the State

In developing countries, the ethos that underpins most social protection strategies is one of charity rather than of entitlement and a desire to guarantee basic human rights (Devereux 2002b). However, there is a strong link between social protection and the human rights framework (Norton *et al*, 2002). For example, the right to security of livelihoods is recognised in the Universal Declaration of Human Rights (*ibid*). While a fundamental problem of developing countries is the lack of resources to uphold this right, it does not diminish the value of having rights at the centre of the rationale for social protection measures, and it can guide future social protection goals. It can also establish a framework in which governments can create an environment for people to effectively use their own efforts and resources to increase the security of their livelihoods.

An oft-cited example of the benefits of viewing social protection as a right is the Maharashtra Employment Generation Scheme. The right to employment is entrenched in the state's law. This is of key importance to its beneficiaries, as it is not a welfare mechanism but the legal right of every citizen of the state (Kabeer 2002). The rights aspect of this scheme creates a key difference with some other self-selecting social protection mechanisms. The right to employment significantly lowers the stigmatisation associated with the Scheme, and hence participation in the Scheme poses less of a risk than other self-selecting mechanisms that it will reinforce other dimensions of poverty which can entrench a person's poverty status. The Scheme is further strengthened by the

accompanying rights to childcare for women and the guarantee of work within eight miles of home (*ibid*). A recognition of rights can thus be helpful for both encouraging participation of target groups in a scheme, as well as in achieving the poverty-alleviating goals of the scheme.

Viewing social protection as a right serves to highlight the essential role of the government. Even when markets are functioning well, livelihood security is not guaranteed. People are excluded from poverty exit routes for a variety of reasons, not only because of market exclusion, and often only the direct intervention of the state can serve to rectify the situation. Most people in developing countries remain in the informal economy, out of reach of formal social protection structures (Unni and Rani, 2003). The obligations of the state to uphold basic rights to livelihoods and security are of course constrained by the administrative and fiscal position of the government, but within those constraints action can be taken. Perhaps one of the major barriers to the provision of social protection is the desire by governments to undertake “development” interventions first and worry about social protection later (Norton *et al*, 2002). In Malawi in 1998, the World Bank and other donors proposed a large investment in social protection measures; \$28 million over 20 years. The Government of Malawi was sceptical about the proposal, arguing if donors could afford so much it should be spent on “developmental programs” instead (Devereux, 2002b). Such government attitudes are also supported by donors whose interventions almost always focus on activities which have clear exit strategies. Social protection interventions by their nature do not have such strategies, and so are typically less attractive to donors (Norton *et al*, 2002).

The general lack of focus on social protection measures by developing country governments and donors is highlighted by the limited or non-existent role of social protection in most Poverty Reduction Strategy Papers (PRSPs) (Devereux, 2002a). In 2000, in a PRSP meeting with donors, Malawi’s Deputy Finance Minister suggested that the PRSP should not focus on the poor because they cannot get any poorer; the focus should instead be on productive growth (*ibid*). The need for both governments and donors to take a long-term view and recognise the key importance of some type of social

protection guarantee is something which is slowly developing with the increasing evidence of its importance in the development process. A recent ADB-funded social protection study in Nepal clearly highlights the link between social protection and growth (ADB, 2004) and has led to the ADB embracing wider studies and plans for large scale social protection activities. However, while there are some positive developments, it may be some time before social protection can shake the welfare connotation.

2.2.9 Importance of Social Protection in Dealing with Chronic Poverty

The common response of governments and donor organisations to shy away from social protection policies based on the cost and the enormity of the problem could in some way be addressed by a greater emphasis on the different types of poverty. Seeing the poor as equally poor makes social protection strategies too daunting (Ravallion, 2003).

Distinguishing between different types of poverty that require different types of responses could assist in remedying this problem, but it also comes with some associated risks. Due to the focus on risk and vulnerability within social protection literature it is unsurprising that there is a tendency to link social protection to transitory poverty. There are many more transitorily poor than chronically poor, so such an understanding is also more politically appealing. Breaking down poverty into different groups thus carries the risk that social protection anti-poverty policy could be drawn away from the chronically poor (Barrientos and Shepherd, 2003)

There is increasing evidence that chronic poverty can be effectively addressed by social protection. Barrientos and Shepherd (*ibid*; 17) have conducted a preliminary investigation into the relevance of social protection strategies for the chronically poor, and while they acknowledge that further research is required, they conclude that “social protection has an important role to play in the reduction of chronic poverty”. This is due to the ability of social protection to interrupt chronic poverty as well as its ability to positively affect some of the factors which keep people in chronic poverty. A subsequent study of social protection and chronic poverty undertaken by Barrientos, Hulme and Shepherd (2004; 21) confirms these findings. In investigating developed countries with different levels of social spending, they found “a negative relationship between long term spending on

social protection and the incidence of chronic or persistent poverty”. They state that if strategies to address chronic poverty should be putting security first, as suggested by the Chronic Poverty Research Centre (2004), social protection strategies should take centre stage (*ibid*).

The ability to manage risk is essential to prevent the vulnerable from falling into poverty, and social protection has a clear role to play in this dynamic process. However, as described earlier in the section on risk, those already in poverty also require risk management assistance to allow them to pursue livelihood strategies which could provide an exit route from poverty (Wood, 2003). While risk is an important element of chronic poverty, and does explain to some extent the duration of chronic poverty, it is important to remember that social protection goes beyond just managing risk. Social protection is not just a safety net, but also a ladder. It can assist in addressing many of the dimensions of poverty which serve to keep people in a state of chronic poverty. Barrientos and Shepherd (2003) point to idiosyncratic, structural and agency factors that keep people in a state of chronic poverty and outline various social protection policies combined with other social and economic policies which could serve to address the transmission and maintenance aspects of chronic poverty. While social protection cannot act as a cure-all for the phenomena of chronic poverty, it has the potential to be an integral part of the multiple strategies that could be used.

In summary, as the meanings of social protection have expanded over recent years, so has its relevance in being able to address different types of vulnerability without necessarily any growth trade-off. Indeed, its ability to manage risk is being increasingly seen as a precondition for growth. The different methods of social protection have different advantages and disadvantages and thus policy makers must carefully assess the many social protection options available to them in order to maximise impact. Further research is required surrounding the appropriateness of social protection to address chronic poverty and, for the purposes of this thesis, such analysis is complicated by the additional

complexities of remote rural areas. It is on these complexities that the next section of this chapter will focus.

2.3 Remote Rural Areas

2.3.1 *Why Focus on Remote Rural Areas ?*

There are many ways in which remote rural areas differ to non-remote areas. A body of recent literature has suggested that these some of these differences not only foster poverty but also keep people in a state of chronic poverty (Bird *et al*, 2002). The exact numbers of chronically poor are not known, but there is a growing recognition that the chronically poor are spatially concentrated in remote rural areas (*ibid*). While not all chronically poor, 76 percent of the poor in India and 89 percent of the poor in Bangladesh live in remote areas (Kabeer, 2002). This geographical grouping of the poor is a key reason for investigating chronic poverty in remote rural areas. Another reason for this focus is that not only do the poor seem to fall into chronic poverty in remote rural areas, but there appear to be stronger barriers to exit than in more integrated areas. Even if the national economy is performing well, because of the multiple constraints on poor people in remote rural areas, “trickle out” may take several decades to impact on the majority of the people living in these areas (Farrington and Gill, 2002).

As discussed above, many of the chronically poor live in remote rural areas, and they are likely to remain chronically poor for decades even if they are part of the faster growing national economies; however, a question that could still reasonably be asked is: how important is the physical environment? Are we looking at a spatial concentration of people who have characteristics that foster chronic poverty? If this is the case, then methods to deal with chronic poverty in non-remote areas would be relevant to those in remote areas and, despite the high concentrations in remote areas and the difficulties of exit from remote areas, there would be little reason to examine chronic poverty any differently than in better integrated areas. Research by Ravallion and Wodon (1997) in remote rural areas of Bangladesh sought to investigate the extent to which the physical

geography matters; whether there were truly poor areas or just concentrations of poor people in these areas. Their findings supported the view that geographic differences in living standards cannot be attributable to non-geographic factors. Households in better-integrated areas with exactly the same characteristics as households in remote areas were found to have higher standards of living. There were large spatial difference in the returns to household characteristics. Ravallion and Woden's results support the contention that where people live is important in explaining their poverty and that poor areas are not just poor because households with characteristics that foster poverty are spatially concentrated. The conclusion was that targeting poor areas is a sensible strategy even if there are no obvious impediments to mobility.

As described earlier in this chapter, the chronically poor have many constraints on exiting poverty. The spatial element is just another constraint, but as the research above found, it could be one of the most important constraints, so particular attention needs to be paid to remote rural areas and how their specific characteristics compound the difficulties faced by the inhabitants of remote rural areas. Both IFAD (2001) and the World Bank (2000) recognise the importance of geographical disadvantages. Terms such as “logjams of disadvantage” (de Haan and Lipton, 1998) and “spatial poverty traps” (Goodhand, 2001; 11) are common when trying to convey the particular difficulties faced by the chronically poor in remote rural areas. Household characteristics may or may not be such that the household could be in chronic poverty wherever it was located, but when combined with the low geographic capital of a remote rural area (e.g. the natural, physical, political, social and human capital of an area), then chronic poverty is highly likely (*ibid*). The rest of this section will focus on the mechanisms which exacerbate chronic poverty in remote rural areas, how the challenges of mountainous areas differ significantly from the plains, how risk and risk management contribute in these areas and the arguments for and against different policy options.

2.3.2 What Active Mechanisms Make Chronic Poverty Worse in Remote Rural Areas?

Most of the conditions that exacerbate chronic poverty in remote rural areas are not unique to these areas. Pockets of chronic poverty can exist in well-off, well-integrated

areas, and people within these pockets of poverty can suffer to the same extent as those in remote rural areas. The key difference is that in remote rural areas, whole populations are generally experiencing these conditions. This environment of chronic poverty creates yet another barrier to exit, as income generating opportunities resulting from the income and consumption of neighbouring households are lower, especially in times of crisis. While many of the conditions suffered by chronically poor households in different areas are similar, there are some conditions that are specific to, or are experienced to a greater extent in, remote rural areas such as market failure, state failure, social exclusion, intergenerational poverty transmission, migration and conflict. These conditions are discussed below.

Market and State Failure

The failure of the market and the state tends to be more severe in remote rural areas.

Access to markets is limited, input prices are high and economic services, such as credit and insurance, are expensive and less accessible than in more integrated areas.

Extraction of resources is common without any accompanying pro-poor growth. Distance and inaccessibility is a key issue for remote rural areas; for example, in Tanzania it has been found that living within 100 metres of a gravel road with a bus service increases incomes by approximately one third over the rural average (Bird *et al*, 2002). While distance and accessibility are important, they are not the only factors driving market failure. Because market operations are driven by incentive systems which are not easily manipulated, even if access was improved through the development of infrastructure this would not guarantee a swift inclusion into the market system. There may be a greater access to non-farm employment if there are some nearby towns, but population density, low average incomes, governance weakness and low human capital could still serve to dissuade market enterprises from entering remote rural areas (*ibid*).

The failure of the state in remote rural areas can be explained in part by the standard difficulties of access. Making a significant difference to the accessibility of remote rural areas is expensive and potentially out of reach of some developing country governments. Compounding this difficulty is the marginality of the population. Their lack of voice

means that government inaction generally does not negatively impact on the government at the polls. In rural areas of Bangladesh, it has been found that in areas where the government has invested in infrastructure, incomes and the health of the poor have been positively affected; however, the electoral mileage of the area impacts on government's expenditure. Typically, sparsely populated remote rural areas offer less mileage (Bird *et al*, 2002).

There is an emerging view in the literature that remote rural areas have a right to state sponsored assistance to compensate for the structural disadvantages of living in such a location (Papola, 2002; Parvez and Rasmussen 2002). Pointing to the example of the central alpine regions of Europe which have prospered under significant state protection and subsidies, Parvez and Rasmussen (2002) argue that the sustainability of livelihoods of mountain communities is contingent on long-term public support even in the presence of dynamic highland-lowland interactions because of the inherent inequities which do not favour mountain communities. They further argue that in remote rural mountain areas in developing countries, the situation is more precarious for these populations so the action of the state is much more urgent and justified. The state needs to compensate for the market failures (*ibid*).

There is evidence in India that state-led development strategies are having significant results in remote rural areas (Bird *et al*, 2002). Integrated rural development policies went out of fashion in the 1990s, but given the greater understanding of the dynamics of remote rural areas and the severe market failures in these areas, there is greater attention being paid, as in India, to how the state can assist in overcoming these failures.

Social Exclusion and Human Capital

Other key areas of failures in remote rural areas are social failure, in the form of social exclusion, and the poor development of human capital. Social exclusion refers to the breakdown between the individual and society and effectively being an outsider in terms of rights that determine normal citizenship (*ibid*). The socially excluded generally have limited access to all forms of capital such as assets, contacts in wealthier areas,

opportunities and information (Kothari, 2002). These exclusionary measures are reinforcing, and it is likely that if one dimension of exclusion is broken down others will act to hold the person, household or community down (Bird *et al*, 2002). Social exclusion exists in less remote areas also, but remoteness means that changes occur more slowly, which gives the historic holders of power time to adapt to their new circumstances and hold on to power through these changes. These local elites tend to control the exploitation of resources and political processes (*ibid*).

The lack of development of human capital in remote rural areas is a clear dimension of the population's social exclusion, but it is worth exploring the problem of exclusion from education, skills development and health services given the importance of capable human capital to be able to take advantage of any opportunities which arise from the breakdown of other aspects of exclusion. The provision of government health and education services is generally lower than in non-remote areas. Where the private sector enters the market to provide services that are not being provided by the state, the cost is generally prohibitive for the chronically poor. This low level of human capital decreases entrepreneurship and can impact on investment in remote rural areas because of a lack of capable staff (Bird *et al*, 2002). As discussed earlier in this chapter, Datt and Ravallion (2002) support the importance of education as an initial condition which, if absent, can explain why opportunities presented by economic growth are not exploited. In rural Bangladesh it has been shown that the average years of schooling were three times higher for the never poor than for chronically poor households (Sen, 2003). However, there is general agreement that, although human capital improvement in remote rural areas is a required part of development, it may not in itself lead to a reduction in poverty because of the limited opportunities for its use in economically productive activities (Papola, 2002). The poorest do tend to be the most illiterate, but the extent to which literacy would improve living standards is firmly embedded within other exclusionary processes (Shah, 2002).

Intergenerational Transmission

The intergenerational transmission aspect of low levels of human capital is an important partial explanation for the duration of chronic poverty (Bird *et al*, 2002). Food security in remote rural areas is often erratic, leading to under-nutrition which damages the physical and mental development of children. A lack of access to family planning services can result in high fertility rates in remote rural areas, and high dependency ratios are also compounded by out migration. The lack of health services can lead to a higher rate of disability in remote rural areas because disability in developing countries stems primarily from preventable impairments. Human capital dynamics within a household in remote rural areas thus have a greater chance of reinforcing poverty in increasing the chance that new members to the household will be unable to escape the chronically poor situation into which they were born.

Migration

Both migration and the absence of migration can aggravate the chronic poverty situation of populations in remote rural areas. Much of the migration out of remote rural areas is driven by push factors, particularly the lack of productive employment opportunities. It is estimated that 40 percent of males migrate from the remote rural areas of the Hindu-Kush Himalaya (Papola, 2002). Construction work is the main productive activity available to surplus labour from Indian rural areas, and a significant proportion of migrant workers from remote areas of India end up as construction workers, among whom the incidence of poverty is high (Shah, 2002). As land in rural areas is increasingly subdivided with growing populations, more labourers are being pushed to undertake this low paid construction work, which may not offer an effective path out of chronic poverty (*ibid*). It usually results in an increase in female headed households being left in the villages, and the labour shortages during the busy agricultural times of the year can constrain agricultural productivity and can lead to an increase in poverty (Papola, 2002).

While migration does not currently solve the problems of poverty in remote rural areas, it can serve to provide benefits such as remittances in some cases. However, the

opportunity to migrate is not open to all; there are many hidden constraints. Cultural and linguistic differences can be a barrier to migration, as can physical geography. Moving also involves a level of risk, especially if social networks at the destination are weak (Ravallion and Woden, 1997). The cost of moving, while often small, in the absence of credit and insurance markets for the poor, can be prohibitive. Remoteness can also prevent information of potential productive opportunities being accessed. Thus, while there are generally no official government policies that restrict movement from remote rural areas, in practice movement is often far from free (*ibid*).

Kothari (2003b; 645) has found that migration as a livelihood strategy for poor households is no different to other livelihood strategies in terms of being “facilitated or constrained by relations within and between the institutions of the household, community, state and market”. As mentioned earlier in the description of the characteristics of chronic poverty, many of those in chronic poverty are the ones who have stayed in an environment that others have left; migration not being a realistic option (Kothari, 2002). In a study of remote rural areas of Northeastern Bangladesh, the less poor shifted from place to place in order to minimise their risk and make the most of opportunities on the land. The poorest, however, could not move, and so stayed in an environment where they risked losing the little they had (Hossain *et al*, 2003).

While the discussion above clearly illustrates that migration is not available to all, there is a certain connotation that it is a desired activity. It is important to consider that migration, in itself, may not be desired by all, and in many cases migration may just represent part of the “struggle to stay put” (Rogaly 2003; 1). People often seasonally migrate because they cannot afford to stay where they are without the extra income, but would not undertake this seasonal work in other locations if there was access to employment in their region. Thus, in summary, there is no one model which can serve to explain an individual’s decision to migrate or to stay put. It is a complex response to available opportunities and migration must be understood as both a cause and a consequence of chronic poverty (Kothari, 2002).

Conflict

An underexplored aspect of chronic poverty and remote rural areas is that of violent conflict. There is some suggestion in the literature that remote rural areas could be potentially more prone to conflict than more integrated areas (Bird *et al*, 2001).

Goodhand (2001) hypothesises that spatial poverty traps are more likely to experience political instability and violent conflict. He also contends that the distinction between chronic and transitory poverty is a useful one in the analysis of conflict, and while it is known that chronic conflict is likely to produce chronic poverty, Goodhand surmises that it could be the transitorily poor who are more likely to be the trigger for violent conflict than the chronically poor. This is due, in part, to the fact that the chronically poor in remote rural areas are less likely to be involved in organisations that can be mobilised for violent conflict. The extent to which this is the case requires further investigation.

A good example of grievances surrounding the depth of deprivation and the absence of effective state services within remote rural areas escalating into full-blown conflict is the recent situation in Nepal. The following chapter will provide more details on the particular conflict dynamics, but in brief, the insurgency was able to spread throughout the country so quickly in part due to the lack of any meaningful resistance by the government for the first five years of the conflict (Mercy Corps, 2003). This can be attributed to both the terrain and the perceived lack of political voice of the people who inhabit the remote rural areas of Nepal.

This section so far has briefly analysed some of the different poverty dynamics which exist in remote areas compared to more integrated areas. The analysis is taken one step further below with the examination of some of the key differences between mountainous and non-mountainous remote rural areas.

2.3.3 Are Mountainous Areas Different from Other Remote Rural Areas?

Remote rural areas, whether in the plains or the mountains, have some important common features, such as exclusion from markets, lack of political voice, poor access to

services such as health and education and high chronic poverty but there are some important differences. As this thesis will focus on the Karnali Zone in Nepal, and hence on people living in remote rural mountainous areas, it is important to examine the specific characteristics of mountainous areas which are relevant to chronic poverty in these areas.

Jodha (1990,1992) identifies five characteristics that differentiate mountainous areas from the plains. Three of the characteristics are seen as disadvantages and two are seen as potential opportunities. The disadvantages are:

- Inaccessibility – the difficulties associated with the remoteness of mountainous areas is compounded by the rugged terrain and high altitude. Market access is made more difficult, and transportation costs are higher. Being so isolated, people have little access to non-farm employment, so while the work life of many is characterised by long hours of physically demanding work, especially among women, there exists the paradoxical situation of idle labour, especially among men (Papola, 2002). It is estimated that in mountain areas 63 percent of men's and 34 percent of women's days are unused (*ibid*). The isolation imposed by this inaccessibility leads to a greater reliance by households on other households in the region. As mentioned previously, such poor-to-poor linkages offer only weak social protection. The isolation also effectively prevents them from taking advantage of any development gains of the economy, as they are effectively removed from the market (ICIMOD, 2000). Inaccessibility can also sometimes skew indicators, for example, indicators which reflect access to schooling can be misleading because a five kilometre walk to school in the mountains can be much "longer", and potentially prohibitive for a child, than it would be in non-mountainous areas (Papola, 2002). Finally, a new aspect of poverty in mountainous areas, as access to media has become more widespread and thus one aspect of inaccessibility is being overcome, is the greater sense of relative poverty; households' isolation from the wider economy has been made more conspicuous to them (*ibid*).

- Fragility – the physical geography of mountainous areas renders them fragile. Even with relatively little disturbance, mountainous areas are very vulnerable to degradation. These areas thus offer few options in terms of agricultural intensification (ICIMOD, 2000).
- Marginality – marginality is closely linked to inaccessibility and fragility. Living in an area which is barely able to sustain livelihoods, and where it is difficult to upgrade resources, reduces the relevance of many standard poverty alleviation activities. The high incidence of natural hazards when living in a marginal environment has the consequence that even if people are able to escape poverty, their vulnerability is such that a fall back into poverty may not be far away (Papola, 2002). People are not only living on the margins in a physical sense, but also in a political one. Mountain people commonly have little political voice and are excluded from national socioeconomic and political processes (*ibid*).

The two characteristics which are seen to be advantages of mountainous areas are:

- Diversity – this term is also referred to as “internal heterogeneity” and means the high degree of variability, including biological, physical and temporal differences, within a small area (ICIMOD, 2000). Diversity is seen as an advantage, as it offers opportunities for higher productivity without damaging the resource base. The key to successful harnessing of this diversity is to not be involved in narrow specialisations but to engage with the system as a whole (*ibid*). Recent research in remote but non-mountainous areas of Zimbabwe has shown that the poorest have significantly less diversified livelihood activities than the non-poor and that diversification can provide an exit route from poverty (Bird *et al*, 2002). The greater diversity found in mountainous areas in contrast to the plains represents an advantage that can be exploited.
- Niche – mountainous areas have obvious disadvantages in terms of productivity increasing options. The potential of diversity does offer a glimmer of hope for productivity gains, but there are other possibilities that can be grouped under the characteristic of “niche”. Mountain areas offer a unique environment which gives them a particular niche; a comparative advantage over non-mountainous areas.

Such advantages could include hydropower and irrigation potential, timber and tourism and medicinal plants (ICIMOD, 2000).

While there are some advantages that can be harnessed within mountainous areas, exploiting these advantages requires a clear understanding of the limitations of the environment and the characteristics of mountainous areas. To date, development interventions have generally not operated with this understanding, and interventions that have been transplanted from the plains have often failed. There has been an overemphasis on intensification, integration and extraction (*ibid*).

As described earlier in this thesis, recent studies have confirmed that it is not just a high concentration of poor people in one area that causes chronic poverty in remote rural areas but, rather, the characteristics of the geographical environment. Recent research on a mountainous area in remote rural Sichuan takes this analysis a step further and confirms that even among remote areas, it is the mountainous areas which record the highest degree of chronic poverty (McCulloch and Calandrino, 2003). Assets and education were shown to be important factors in determining chronic poverty, but the greatest determinant was geographical location. Households in mountainous areas were eight times more likely to be chronically poor than those in flat areas (*ibid*). Papola (2002; 7) agrees that poverty in the mountains is more area-specific than household-specific; that is, it results primarily from “the severity of the constraints of an unfavourable geographical situation and only secondarily by the resource endowments of individual households”.

2.3.4 How Do Risk and Risk Management Mechanisms Contribute to Chronic Poverty in Remote Rural Areas?

Geographical location, especially access to flat land for the chronically poor, often has the largest influence on the vulnerability of a population (McCulloch and Calandrino, 2003). Remote rural areas generally have greater vulnerability to natural disasters, both in terms of the marginality of the land and the propensity and the willingness of the government to provide appropriate disaster assistance (Bird *et al*, 2002). As well as the

actual risks of the physical environment, living in remote rural areas carries with it the risks of market failure and the underprovision of goods and services (such as credit and insurance), which could serve to decrease vulnerability. Again, as discussed earlier, not having access to typical income smoothing vehicles can lead to coping strategies which are risk averse and hence do not maximise productivity, further entrenching chronic poverty. Whole areas behaving in such a manner leads to weak consumption and thus a reduction in the opportunities for neighbouring households to climb out of poverty (*ibid*).

One of the key risk management mechanisms that is mentioned in the literature in relation to remote areas, especially mountain areas, is social capital (Morris, 1998). In the absence of other coping mechanisms, the strong bond between households living in marginal areas can serve to strengthen their ability to withstand the harsh conditions they often have to endure. In addition to being able to assist in the face of disasters, social capital can be mobilised to build and maintain collective assets such as roads, to enable people to take advantage of economies of scale in the export of mountain products and can also assist them in developing strong community-based organisations that can contribute to longer term development (Parvez and Rasmussen, 2002). This concept, however, is coming under increased scrutiny with a recognition of the limitation of relationships between poor households and that social capital can actually serve to keep people poor (Hulme, 2003a). The chronically poor often have strong links with each other, but relationships with the wealthier and more powerful parts of the community are often weak, and they are therefore “more likely to experience exclusion or adverse incorporation rather than positive power relations and mutually supportive networks” (Bird *et al* 2002; 28). Thus while it is recognised that, in some circumstances, social capital can serve to strengthen the position of the poor in remote rural areas, its ability to function as an adequate social protection measure is doubtful.

2.3.5 Arguments For and Against Area Specific Development Policies?

The concentration of chronically poor people in an area - which by its nature reduces the escape routes from poverty - offers an opportunity for targeted interventions in mountain

areas. However, not everyone agrees that mountainous areas should be treated differently based on their specific characteristics.

While Parvez and Rasmussen (2002) argue that some state support is required to compensate for the structural disadvantages of mountainous areas, they argue that too great a focus is placed on mountain specificities and not enough on integration with the national economy as a method for alleviating poverty. If mountain specificities condemned mountainous areas to poverty, they argue, then mountainous areas in all developed countries would also be poor. They thus contend that a more appropriate development strategy is the sustainable livelihoods approach, which focuses more on opportunities than constraints. The failed large scale World Bank Integrated Rural Development Projects (IRDPs) of the 1970s and 1980s have also not helped the cause of area development activities. They were criticised as being unsustainable because of the artificial conditions for service delivery that they created and the reliance on donor inputs (Farrington *et al*, 2002; Bird *et al*, 2002).

Despite the above criticisms, there is a substantial body of literature that supports at least some aspect of geographical targeting in development activities. It has been argued that area development makes more sense than a household-based approach because it is the constraints of the area, not the household, which constitute the main sources of poverty in mountain areas (Papola, 2002). The results of McCulloch and Callandrino's (2003) research in rural Sichuan - that chronically poor households are concentrated in hilly or mountainous areas - led them to recommend that geographical targeting was key in any anti-poverty policy.

Because of the impediments to migration from remote rural areas, and the constraints on policy makers effectively targeting household characteristics, poor area policies have the potential to make effective use of limited development budgets (Ravallion and Woden, 1997). Even when there are no impediments to migration, Ravallion and Woden's (*ibid*) research supports targeting poor areas; however, they also highlight that further research is required into the cost effectiveness of area-based policies versus non-geographic

policies. Area development activities should not be dismissed because of the failure of some IRDPs. As mentioned earlier, state led development in remote rural regions of India is beginning to show positive results (Bird *et al*, 2002).

In terms of the appropriateness of social protection as an area development policy, Farrington and Gill (2002) argue that the severe fiscal and implementation constraints may limit them to those who cannot engage in productive activity. They suggest that growth oriented strategies, which incorporate a measure of social protection, would be a more viable alternative. Bird *et al* (2002) theorise that the impact of extending social protection coverage to remote rural areas is likely to be greater than extending coverage elsewhere. There is little specific discussion in the literature on the appropriateness of social protection targeted towards remote rural areas - this is one of the key areas that this thesis will explore.

To summarise, different studies have highlighted the spatial element of chronic poverty as an important explanatory factor of chronic poverty. Certain mechanisms work together to make chronic poverty worse in remote rural areas, especially in mountainous regions, and questions remain about the appropriateness of different policy responses that address these particular problems. The following section discusses the next steps this thesis will take in building on the existing literature to further the analysis of chronic poverty in remote rural areas and the relevance of social protection in addressing some key constraints faced by the chronically poor.

2.4 Summary of Key Areas of Relevance from the Literature

The existing literature on chronic poverty, social protection and remote rural areas has provided a good starting point to analyse the complementarities between these three areas. There are many unanswered questions within the literature, and many issues remain contentious. This thesis will not seek to answer all of the questions raised in the

literature but will use it as a base on which to examine some of the key linkages between chronic poverty, social protection and remote rural areas.

Even when there is a clear knowledge of those who are transitorily poor and those who are chronically poor, the literature points to some very different dynamics in terms of what causes people to fall into poverty, rise out of poverty and stay in poverty which could have large policy impacts. It will be beyond the scope of this thesis to undertake detailed quantitative analysis to determine the correlates of this phenomenon but, to the extent possible, social protection will be examined in terms of its role in decreasing entry into chronic poverty and increasing exit routes.

The concept of risk aversion among vulnerable communities in remote rural areas as a cause of chronic poverty, and social protection as a potential solution, will be closely investigated given the assertions in the literature that it could provide at least a partial explanation of the duration of chronic poverty. The durational aspect of chronic poverty will also be discussed in examining the extent to which duration in itself could act as an inhibitor to the exit from poverty.

The chronically poor's existing coping strategies in the face of shocks will be studied to ascertain whether they provide adequate protection or whether they are more survival strategies which further entrench poverty and which therefore cannot be seen as appropriate strategies. The requirement of some level of income security so that coping in difficult times constitutes more than just survival will be examined. The literature highlighted the fact that traditional coping strategies were often inadequate, especially in remote rural areas, due to the poor-poor relationships that can potentially cope with a shock which affects just one household, but not if it affects an entire community. The extent to which this is the case in the Kamali Zone will be investigated. Assuming social protection is found to be a valid strategy, questions regarding the most appropriate type of social protection measures (promotional, protective or preventative) and the method of delivery (universal or targeted) will be examined, especially in light of the literature on mountain specificities.

While it is expected that social protection strategies will be found to be appropriate in some form, the extent to which social protection is able to go beyond the safety net and become a ladder to assist the chronically poor in overcoming their constraints is contentious. The literature highlighted that the chronically poor are generally kept in that state by many complex factors, so it remains unclear whether the ladder created by social protection will be strong enough to lift them out of poverty or high enough to allow them to escape to a level much above the poverty line. Due to the particular constraints in remote mountainous areas, the focus of this research is very much on the extent to which decreasing poverty through social protection can strengthen livelihoods, which reinforces the move out of poverty rather than the standard focus on growth and its ability to reduce poverty. Given the case study is located in Nepal, attention will be paid to social protection and conflict. The opportunities and limitations of using social protection measures to address simmering tensions in remote rural areas, especially among the chronically poor, and thus its potential to address a root cause of violent conflict will be discussed.

CHAPTER 3

Addressing Chronic Poverty in Remote Rural Areas through Workfare Programs

The fundamental issue that this thesis is seeking to examine is the extent to which social protection can be used successfully to address chronic poverty in remote rural areas. As the previous chapter demonstrated, the chronically poor and remote rural areas, particularly mountainous areas, have some very specific characteristics that have the potential to complicate development interventions. This thesis argues that while not all social protection mechanisms will be effective, social protection does have the capacity to operate well in such environments and provide meaningful assistance to populations who are frequently neglected. In light of the literature on remote rural areas and chronic poverty outlined in the previous chapter, this argument is extended to include the argument that a comprehensive development strategy must introduce some level of effective social protection. This growing recognition of the importance of social protection is reflected in the Chronic Poverty Research Centre's assertion that an assault on chronic poverty should put security first (Chronic Poverty Research Centre, 2004).

As discussed previously, for social protection strategies to take a more prominent role, there is a need to change development thinking around the issue; that is, social protection needs to be seen as an investment, not a cost, and an appropriate strategy for governments and donors to undertake. It must fight through its association with "welfare" in the typical sense and be seen as a strategy with rational, achievable development goals that are supportive, if not essential, for other typical development goals to be achieved, such as economic growth.

This chapter will briefly review some of the major social protection mechanisms currently utilised in developing countries and comment on their suitability for aiding

chronically poor populations in remote rural areas. It will be argued that the most appropriate mechanism for such populations in such areas is the workfare program. Workfare is not the only way to address chronic poverty in remote rural areas; it has limitations and these limitations will be discussed, but it will be argued that is a key strategy in any attempt to address the issue.

3.1 Social Protection Mechanisms

3.1.1 Advantages/Disadvantages of Various Social Protection Mechanisms

The previous chapter outlined the particular characteristics of remote rural areas and the chronically poor and established that social protection has the potential to make a positive impact. Given the particular needs of these populations, the question that then arises is: which social protection mechanism is the most appropriate? Strategies that work well in integrated areas - that is, non-remote areas - or amongst the transitorily poor may be inappropriate.

Microfinance

A very popular social protection strategy in the developing world is microfinance. Small loans for productive purposes have the potential to provide security to households and lift them out of poverty. Loans can be provided to those who would not normally have access to formal financial service markets, especially vulnerable women. The provision of credit to those normally excluded from these services can play a very important social protection function. However, studies in Bangladesh on impacts of microfinance programs have shown that while impacts are often positive on the poor, the severely poor generally do not benefit to the same extent as other poor (CGAP, 1996). Loans are not available to all and there are inevitably those who miss out (Kabeer, 2002). In Bangladeshi villages where microfinance programs have been in place for more than three years, only 40 percent of the poor participate (Khandker, 1998). Even when relatively easily accessed, the chronically poor often have constraints that extend well beyond a lack of income which inhibit their ability to participate in microfinance

programs (such as a lack of numeracy skills). These constraints can prevent them from becoming self-employed entrepreneurs (CGAP, 1997). In his critical review of microfinance programs, Khandker (1998; 17) notes that landless people and those with poor mathematical abilities do not participate and that “the poorest of the poor and the most illiterate of the illiterate do not participate. For them wage employment is necessary for poverty reduction”.

The nature of remote rural areas, their isolation from markets, further compounds the problems and limits the potential income that can be generated from small loans to the chronically poor. A recent Asian Development Bank study in Nepal recognised the value of microfinance as a social protection measure but recommended its use only in urban areas at the moment due to the limited marketing opportunities that exist in remote rural areas (ADB, 2004).

Cash Transfers

In a world in which there was perfect information, cash transfers (and to a lesser extent, food transfers) could be an effective social protection mechanism. Cash transfers could be provided to build up the assets of the chronically poor and protect both the chronically poor and transitorily poor from income declines which would otherwise lead to irreversible coping strategies. Having this safety net could also lead to less risk averse behaviour, and the resulting risk taking could lead to higher income earning opportunities. The transfers could be made even more effective by making them conditional on the recipients undertaking activities which could assist in addressing aspects of their poverty, such as attending literacy classes.

The difficulty with these direct transfers is that information in the developing world, and especially in remote rural areas of developing countries, is far from perfect. To maximise effectiveness, significant administrative resources must be put into targeting. There is a risk of excluding eligible recipients and including ineligible ones. Even if poor households could be identified without large administration costs, there would be a risk of disincentive effects, for example, people lowering their income below a certain

threshold to be able to qualify for assistance. Such problems can be overcome by linking the targeting to household characteristics that are hard to manipulate (Coady, 2004) but, again, this represents an enormous data gathering exercise that may be outside the capacity of developing countries. A recent ADB study in the Pacific (ADB, 2007) concluded that due to the difficulty of generating and maintaining accurate data for targeting, it would be more efficient for transfers to be to all. There is also the problem of wasteful consumption if there are no conditions placed on the cash transfer.

Food Subsidies

The use of universal food subsidies is intended to overcome the difficulties of targeting but remain effective by only subsidising those products that are not generally purchased by those on higher incomes. They work in a similar way to cash transfers in terms of providing assistance to cash constrained households who need to purchase food. The nutritional effects can serve to improve labour productivity and, hence, future income (Coady, 2004) which supports the view of social protection being an investment not a cost. There is some flexibility through this social protection measure for governments to cope with specific shocks, whether natural or economic, by increasing the subsidies, although this comes with associated economic distortions. Perhaps the defining difference between this mechanism and cash transfers is its self-selecting nature. Resources do not need to be put into targeting strategies.

The effectiveness of subsidy programs suffers due to unintended beneficiaries accessing resources. For example, universal food subsidies form a key part of India's poverty reduction strategy through the Public Distribution Scheme. In states where it has been well administered it has generated benefits but, in general, it has been criticised for not effectively reaching its intended beneficiaries. Urban areas are better served than remote rural areas because of superior storage and delivery infrastructure (Farrington *et al*, 2003). The distribution of food is expensive – Rs100 of food can cost Rs100-200 to distribute – and much of the food is sold off before it reaches its destination (*ibid*). Because the purchase of the food from the central government body is the responsibility of the state governments, the poorer states, with the majority of the poor populations,

sometimes purchase less than 50 percent of their entitlements (*ibid*). Further, requiring the purchase of a month's supply of food at a time renders the full benefits of the scheme out of the reach of many of the poor who have limited cash reserves.

The Targeted Public Distribution Scheme (TPDS) which was introduced in India in 1997 represented an effort to ensure that those living below the poverty line would have access to subsidized cereals. However, even after the introduction of the TPDS in Bihar, 85 percent of the commodities were being diverted to the black market (Kabeer, 2002).

A common criticism of both cash transfers and food subsidies is that the effectiveness persists only for as long as the transfer (Coady, 2004). This is perhaps the key reason donors shy away from such schemes, but this criticism ignores the effects such transfers can have on risk management and, hence, potentially income generation, when credit and insurance markets are absent. This thesis is considering more than the traditional safety net role that social protection plays, so while cash transfers and food subsidies have certain limitations, especially in difficult environments, it is important to note that most social protection mechanisms can also play an important livelihood promotional role, the effects of which can remain long after the particular scheme ceases to function.

Well-designed cash transfer and food subsidy schemes can be appropriate mechanisms to address chronic poverty in remote rural areas. Other strategies such as direct provision of basic health and education services could also assist the chronically poor and indeed, would be necessary for any comprehensive development strategy in remote rural areas but, as argued below, workfare programs are a more suitable mechanism to address some of the more immediate constraints faced by the chronically poor in remote rural areas.

3.2 Workfare Programs

3.2.1 *A Good Fit for the Chronically Poor in Remote Rural Areas*

Addressing chronic poverty is a complex problem made even more difficult when it occurs in isolated regions. Chronic poverty, by its nature, normally involves unpicking layers of constraints and, as described in the previous chapter, mountain specificities add another dimension to deprivation compared to well integrated areas. There cannot be one simple strategy which will address every aspect of a person's deprivation but some strategies can be more appropriate than others and, when living such a marginal existence, could mean the difference between barely surviving and being able to pursue opportunities to slowly start to escape from de Haan and Lipton's (1998) "logjam of disadvantage".

The social protection mechanism that this thesis will examine from this point is the workfare program. A well-designed workfare program has the potential to significantly impact on the conditions which entrench poverty in remote rural areas. It can act as a promotional measure, by increasing incomes and sometimes skills. If access to income leads to changed behaviour, it can affect future security such as facilitating risk taking behaviour. It could also assist in keeping children in school, especially girls who often have reduced access to schooling in remote rural areas of developing countries. A workfare program can also be a preventative measure by averting deprivation – it could stop distress land sales for example. Finally, a workfare program can be an *ex post* protective measure because of its ability to guarantee relief from deprivation if other *ex ante* measures have failed. In comparing various social protection mechanisms in India, Lanjouw and Ravallion (1998) found that the poorest quintile was best served by public works programs, while credit programs were ranked second and the food subsidy program did the least well at reaching the poorest.

Workfare programs offer no miracle cures for the chronically poor in remote rural areas; they do not address structural constraints such as entrenched discrimination, for example, but it will be argued that they represent the best fit with the particular conditions

experienced by the chronically poor in these marginal environments. Some of the key areas of complementarity which will be examined below are: 1) use of labour; 2) targeting; 3) higher wages; 4) need for assets; and, 5) need for insurance.

Use of labour

All social protection mechanisms have costs. The administrative costs of targeting in developing countries with weak institutions is one of the main drawbacks of closely targeted social protection schemes. Workfare schemes are typically self-targeting so the administrative cost is small but they do have an opportunity cost. A key criticism of workfare schemes is that they divert labour which, while it may not have many high earning opportunities, is very rarely idle (except in areas where no employment opportunities exist). Very poor people cannot afford to be unemployed and so they will normally be engaged in some type of productive pursuit. This is generally true, especially in well integrated areas where income earning opportunities are available. In McCord's (2005) review of public works as a social protection measure she highlights the fact that that poor households with limited labour resources may divert labour away from their own production to secure immediate cash income which may have negative medium to long term consequences for livelihoods. McCord (*ibid*; 7) also highlights the idea that because poor people can rarely afford to be completely idle, once income forgone is taken into account, "the net value of a transfer through public works may be significantly reduced compared to its gross value and the net transfer may not necessarily have the anticipated welfare impact of the gross transfer". The opportunity cost may be so high that labour-constrained households may not be able to participate at all unless public works employment is provided long-term.

Subbarao (2003; 4) describes the transfer benefit to a worker as "the amount he/she gains from the scheme, minus any costs of participation (such as the cost of transport) and any earnings lost from alternative employment". If alternative employment is non-existent, the transfer benefit is higher. As mentioned above, poor people are normally engaged in some kind of earning activity, but, in remote rural areas, where opportunities for off-farm employment are not as great as in well integrated areas, idle labour can exist, especially

during certain parts of the year. The transfer benefit of workfare programs in remote rural areas thus has the potential to exceed the transfer benefit for comparable schemes in well-integrated areas.

Targeting

The benefits of self-targeting social protection mechanisms such as workfare schemes are well known. There is a saving in administrative costs that may otherwise have to be used to determine who should receive access to the transfer and what the size of the transfer should be. There is also a saving in having to maintain the data over the life of the targeted scheme and in responding to complaints and queries. Because of the pervasiveness of poverty in remote rural areas, inclusion errors will be minimal. This last point is important because it has implications for the wage rate that can be paid. Errors of exclusion, which Devereux (2002) describes as being much more of a concern than inclusion errors, are also minimised because whoever wants wage employment has access to the scheme.

It could be argued that this self-targeting aspect of workfare programs is not necessarily an advantage in remote rural areas where most households are very poor. To a certain extent this is correct; the self-targeting feature of these programs is probably most useful when there is a reasonable degree of income inequality in an area and it is an administrative burden to determine who should have access to benefits. However, even in remote rural areas, the self-targeting nature of the programs is beneficial as it allows households to make their own decisions about participation based on their own assessment of what would maximise their welfare rather than relying on the assessment of an external administrator.

Not everyone is as convinced of the self targeting capacity of workfare programs, particularly in relation to extremely poor households. Barrett and Clay (2003) assert that self-targeting will only work well when the labour market also works well. They contend that the marginal value of labour varies between households and less poor households with excess labour may choose to supplement their income, even if a below average wage

is paid. This is in contrast to very poor households which may not have the necessary excess labour to take advantage of the program.

Higher wages

In describing the necessary components of a well functioning workfare scheme, the majority of the literature on workfare highlights the wage rate as being significant. Wages need to be low to ensure that the self-targeting feature of the scheme remains intact. If the wage rate is the same as, or higher than, the prevailing minimum wage then people other than the poor will want access to the work and the scheme will lose its ability to screen out the non-poor. Subbarao (2003; 10) suggests that the wage rate needs to be low but not so low as to stigmatise the work so that “poor but proud” people self-exclude themselves from the transfers.

An oft-cited criticism of workfare programs is that the extent to which they can address poverty is constrained by the low wage rate. The argument is that a well functioning workfare scheme necessitates a low wage in order to reach its intended beneficiaries and, therefore, its ability to provide any real impact on poverty through an appropriate level of transfers is constrained. This requirement for low wages for a well functioning workfare program has led to the conclusion that such programs are more suited to dealing with crisis situations rather than structural poverty (Coady, 2004). Their ability to act as a consumption smoothing mechanism can reduce the need for irreversible coping strategies such as distress sales (*ibid*). This consumption smoothing would have some impact on poverty and possibly prevent people from falling into chronic poverty, but the ability of such schemes to deal with the chronically poor’s problem of a lack of assets, for example, is doubted due to the requirement for a low wage rate.

The view that there is a trade-off between the wage rate and the ability of workfare schemes to effectively address poverty is well highlighted in the literature (Sen 1996). However, in a study of a workfare scheme in Ethiopia, Barrett and Clay (2003) provide support for the potential to pay higher wages within workfare schemes. They argue that targeting problems will not necessarily be overcome by setting a low wage rate in environments of imperfect factor markets. Thus, if the wage is not serving the self-

targeting function effectively, and the poverty reduction effectiveness of the scheme is compromised by the low wage rate, it could make sense to use complementary targeting which will then allow the market wage, or even a higher than market wage, to be paid to the most needy (*ibid*).

The extent to which remote rural areas with high concentrations of chronically poor people require any substantial additional targeting to ensure the programs reach the intended beneficiaries is an under-researched area. Areas with pervasive poverty, which also have geographical constraints to others accessing workfare programs drawn by incentive effects, may have different targeting needs. In remote rural mountainous areas, the trade-off between a well functioning workfare scheme and effective poverty alleviation may not exist to the same extent as in other areas due to the concentration of chronically poor in these areas, which could allow a higher than normal wage to be paid without the accompanying inclusion errors.

While not assessed as part of the case study analysis, one possible solution to the conundrum of the need for higher wages to address chronic poverty but the need for lower wages to deter inclusion errors, is the payment of a rising wage. A low wage could be paid in the first year to exclude the non-poor, but in subsequent years the wage could rise. In very remote areas, where employment options are limited, the first year's low wage may not act as a deterrent so such a solution may only be appropriate in more integrated areas.

One of the benefits sometimes associated with workfare programs is the improvement in bargaining power of those not in the scheme to receive higher wages or better conditions. Because alternative employment options are rare in remote rural areas, the poor lack a strong collective voice to bargain for better wages and conditions. Having a workfare program operating in an area offering alternative employment could serve to strengthen the bargaining position of those disadvantaged by the isolation of the region.

Need for assets

A lack of assets is a defining feature of the chronically poor. While workfare programs would generally not address the issue of a lack of personal assets, community assets can be provided. Workfare programs have traditionally underemphasised the potential value to the poor of assets (Ravallion, 2003). Most attention has been paid to the employment benefits the schemes offer. Sen (1996), for example, says that redistribution of income and creation of assets is important, but the safety net function of workfare schemes is more important. Recently there has been greater attention paid to the potential of the schemes to create valuable developmental assets such as rural roads or irrigation infrastructure (Devereux, 2002). Poor communities can utilise workfare schemes to undertake useful work which otherwise would not be done (Ravallion, 2003). The assets have the potential to be even more effective if poor communities themselves are involved in the selection of activities (Coady, 2004) but this must be balanced with the need to ensure that there is some coordination between villages so that economic and other linkages (such as health and education) are enhanced.

The perceived necessary trade-off between wages and effectiveness has been discussed earlier, but there is also another potential trade-off, that between equity and efficiency, which is often mentioned in the literature on workfare schemes in relation to assets. The argument is that because of the requirement for labour intensive activities which offer high employment opportunities, the quality of the assets may suffer if their creation would have benefited from a more capital intensive construction approach (Coady, 2004). Sen (1996) believes that lower quality assets are a price worth paying for access to employment, but it would severely diminish the merits of the scheme if the assets were of such poor quality as to be unusable. However, if the quality was less than ideal but the assets were still strong and functional, the trade-off is less important to consider when assessing the suitability of workfare programs. The “price” referred to by Sen may not be that high.

Gaiha (2003) provides another perspective on the asset trade-off by suggesting that there may be too great an emphasis on the labour intensiveness of workfare programs. If the

assets are chosen well, and if the benefits of the assets accrue to the poor, then tight restrictions on the labour/capital ratio may not be warranted.

As well as being a defining condition of the chronically poor, a lack of assets in the form of community assets such as basic infrastructure is one of the characteristics of the remote rural areas of the Hindu-Kush Himalaya which compounds the isolation of communities. As described in the previous chapter, the inaccessibility of remote rural mountainous areas reduces access to markets, off-farm employment, schooling and other basic social services. The extent to which workfare programs can address the condition of isolation requires further investigation, but there would appear to be a natural synergy between a scheme that can provide assets and communities that need them.

The argument that workfare schemes use up scarce resources (ILO, 2004) will be considered in the analysis of the provision of assets. Resources can be scarce in developing countries and must be allocated carefully. While it will be outside the scope of this thesis to analyse the appropriate use of government development budgets and donor funds, an argument will be made that if the assets are necessary, and would be provided as standard in more integrated areas, then workfare programs represent a good use of development funds. There is not only a moral, ethical and social responsibility to provide these assets but also a strong economic rationale.

Insurance effects

Workfare programs delivered in remote rural areas can perform an important insurance function. Even if higher wages cannot be paid, the poverty alleviation effects of workfare programs may be underestimated due to the behavioural changes that such a social protection mechanism can bring. Workfare programs can act as a form of insurance in the absence of insurance markets available to the chronically poor in remote rural areas. The stabilisation benefits of workfare programs are well recognised; that is, during slack seasons, when the market demand for labour is low, workfare programs can provide employment (Subbarao, 2003). Although this consumption smoothing argument implies

that it would be the transitorily poor who would most benefit from the insurance function of workfare programs, the chronically poor can also benefit.

The two key areas that this thesis will investigate in relation to the insurance function of workfare programs for the chronically poor in remote rural areas are:

- 1) The extent to which access to employment during difficult times, either poor seasons or the pre-harvest period, prevents irreversible strategies being undertaken such as the selling of productive assets like livestock or land. This is an important area of analysis because it is not a coping strategy but a survival strategy and it can entrench poverty.
- 2) The extent to which knowledge of the existence of access to employment, whether undertaken or not, fosters productive risk taking behaviour. For example, potentially profitable crop diversification may not occur because of the devastating consequences if the crop fails, even if the chance of crop failure is low.

The insurance function offered by workfare schemes in some ways is no different to the insurance offered by other social protection programs but the analysis for this thesis will focus on the particular benefits or disadvantage of access to *work* rather than simply access to funds.

In addition to the above, which represent the more obvious areas where workfare complements the particular constraints faced by the chronically poor in remote rural areas, there are some other areas where potential complementarity exists. These are: the income it can provide; the method and type of payments that can be made; accompanying strategies which can be built into a workfare program; the empowerment that workfare and the accompanying strategies can bring; and the contribution to the stability of the region. These areas will also be examined in the context of the case study analysis.

3.2.2 What type of workfare programs?

As argued above, workfare programs have the potential to fit well with the conditions experienced by the chronically poor in remote rural areas. However, in the literature on workfare programs, it is rare to find mention of their ability to address long-term poverty. The consumption smoothing function of workfare schemes which is often emphasised in the literature (Subbarao, 2003) could lead to an assumption that workfare programs are better suited to addressing transitory poverty than chronic poverty. Coady, (2004; 26) states that “the comparative advantage of [workfare] programs lies in dealing with vulnerability and crisis situations rather than as approaches to dealing with structural poverty”. This consumption smoothing feature is identified perhaps due to the fact that workfare schemes are often used as short-term interventions to address temporary shocks and are, therefore, designed with minimal community consultation. However, workfare schemes have the potential to be used in different ways. They do not need to be used only as short-term, safety net measures. They have the well-recognised ability to function as counter-cyclical measures which impact on the transitorily poor, but they also can effectively address longer-term poverty if they have some specific features.

In analysing the effectiveness of workfare schemes in South Africa, McCord (2005; 15) concludes that “sustained rather than short term, employment opportunities are required if public works are to address poverty”. An example of such a program is the Zibambele road maintenance program in KwaZulu Natal, South Africa, which is offered year round and, to further improve its effectiveness, pays above the prevailing wage and uses targeting to determine participation (*ibid*). To address chronic poverty McCord (2005; 16) highlights the need for the following:

- “Sustained public works employment;
- Integration of public works programme with other developmental initiatives;
- Linkages with micro-finance, and micro enterprise activities;
- Creation of assets which directly impact on reducing vulnerability and promoting livelihoods;
- Flexible or piece based employment, enabling participants to combine public works employment with other responsibilities and income earning opportunities;

- Higher wages; and,
- Poverty targeting measures”.

The extent to which all of the above are also relevant in the context of a remote rural environment (access to micro finance and the need for poverty targeting measures, for example) will be a focus of this thesis’s later analysis.

3.2.3 Conditionality

As detailed above, a well designed workfare program has the potential to effectively address chronic poverty. While workfare schemes alone have the ability to improve the conditions of the chronically poor, because of the multidimensional nature of poverty for the chronically poor, especially in remote rural areas, workfare programs may be made more effective in addressing the development needs of a target community by having some kind of conditionality which addresses improvements in human capital.

Human capital subsidies in the form of transfers to households, conditional on those households investing in human capital, are enjoying increasing recognition for their ability to address what Coady (2004) describes as the “structurally poor” whose poverty persists over time. By investing in nutritional, health and education status of children, the intergenerational transmission of poverty can be broken (*ibid*). Coady is referring to cash transfers, but this thesis will examine the extent to which access to workfare schemes can be made conditional on these same types of human capital investments. Making access to work conditional on sending children to school or having them attend nutrition and hygiene sessions could serve to provide a clear link to chronic poverty alleviation regardless of how the wage earned is expended.

Conditionality has had mixed reviews in the development literature. It is usually discussed in terms of more macro issues like structural adjustment. At the level of the household, in relation to human capital subsidies, Coady (*ibid*) argues that making transfers conditional on households investing in their own future renders the transfers a hand up rather than handout. It is an approach which “combines the recognition of the

rights of the poor with them having responsibilities for achieving these rights” (*ibid*; 31). The importance to the functioning of workfare programs of having the right to work was highlighted in Chapter 2, but this issue of accompanying responsibilities and, more importantly, the ability of workfare programs to influence the actioning of these responsibilities, will require further analysis.

3.2.4 Who Misses Out?

While it has been argued that workfare schemes are a natural fit to address chronic poverty in remote rural areas, they are not the only required strategy in addressing the particular needs of these populations. The schemes have some flexibility to address certain issues of non-participation such as providing crèches to allow the participation of women with children, and providing piece rates and task based payments for those who cannot commit to full-time work. But where there are other prohibitions to participation, such as disability or old age, accompanying social protection strategies are required.

The working poor focus of workfare schemes is a clear weakness of this social protection mechanism but, given the suitability of workfare in other respects, it is surmised that these excluded populations will be small enough, and the benefits from the scheme for included populations large enough, to warrant workfare schemes taking centre stage as the key social protection mechanism in these areas. This will have to be tested in remote rural areas, especially where there are residual populations with larger than average concentrations of disabled and the elderly due to out-migration of able bodied workers to more integrated areas.

3.2.5 Cash vs Food

In the early public works programs in India and Bangladesh, it was common for transfers to be in-kind (Subbarao, 2003). In-kind transfers continue to be paid within workfare programs but increasingly cash transfers are used. Cash transfers have the obvious benefit of allowing the worker to maximise the welfare gain of the transfer by spending their earnings on goods or services other than food if appropriate without a complicated barter arrangement. Cash transfers do not have the problems associated with in-kind transfers in

the form of transport and handling costs, and the considerable supervision requirements of distribution (*ibid*). There is also evidence that private markets can be more efficient at transporting food to areas of need (Coady, 2004). Indeed, if commodity markets function well, cash transfers can create what Devereux (2002) refers to as a “virtuous circle” in which food production and trade are stimulated rather than undermined.

In their study of workfare programs in Ethiopia, Clay and Barrett (2003) found that workfare programs could employ one quarter more people if they paid in cash instead of grain. They do recognise that if food is the only form in which resources are available to provide transfers then “in-kind transfers may be a second best solution” (*ibid*; 178), but they argue that cash transfers would generally result in assistance reaching more people. They hypothesise that there could be a circumstance where payments in food could be justified if private traders could not be induced to deliver food to local markets at prices that workfare workers could pay based on their cash transfers. This could be the case in remote rural areas.

In the absence of increased food availability, cash injections into communities could risk driving up prices and benefiting private suppliers at the expense of the transfer recipients (Coady, 2004). However, this is only likely to occur if a large proportion of the country is famine stricken.

While cash payments are often preferred, there are some situations where in-kind transfers are preferable, especially for women. For example, in Lesotho and Zambia, payment of half of the wage in food attracted more women than men to the workfare programs (Subbarao, 2003). In a study of public works programs in Malawi, the preferred method of payment depended on the season, gender and proximity to roads and towns (Devereux, 2002). Women were more likely to request food than men and the further they were from roads or towns increased the preference for food. In the hungry season food was preferred, but around planting time agricultural inputs were favoured and at harvest time cash was the preferred mode of payment (*ibid*). If food attracts more women, this raises the question of whether this is due to any true preference or whether it

highlights the women's lack of alternatives. It could also reflect men being attracted by cash to spend it on non-core items. If being near a road can affect payment preference, then for remote rural areas, this is very significant. This thesis will examine all of the above issues further as part of the case study.

3.2.6 The Maharashtra Employment Generation Scheme

While the case study area for this thesis is in Nepal, it is worth briefly considering the case of an Indian workfare program, the Maharashtra Employment Generation Scheme (MEGS), which is one of the most famous workfare schemes in the developing world. This scheme has been running since 1965 and has well documented impacts, which can assist in providing some background on functioning workfare programs for the Nepal case study analysis. MEGS has received renewed attention of late given the Government of India's decision to introduce a national workfare program, modelled on MEGS, as a core mechanism to address rural poverty. The national scheme will initially cover the 150 poorest districts in the country giving one household member the right to 100 days per year of employment at the minimum wage of the state (Mehrotra, 2005).

MEGS guarantees employment to any adult who needs it within 15 days of applying for work. The applicant must be willing to undertake low skilled manual labour in rural areas and be paid on a piece rate basis (Gaiha, 2003). The wage rate is usually below the agricultural wage, although there was a wage rise in 1988, and the two key criteria that the scheme must satisfy are labour intensiveness and the creation of productive assets, especially those that minimize the impact of droughts (Imai, 2003). The work is supposed to be organised so as not to interfere with agricultural production.

Due to the longevity of MEGS, and the attention it has received as being a potentially effective tool for addressing poverty in rural areas, there have been many studies of the scheme (Engvist, 1995; Dev, 1995; Imai, 2003; Gaiha, 2003; Gaiha and Imai, 2005). Some of the key finding of interest to this thesis relate to wages, assets and the general effectiveness of the scheme:

Wages

As a result of the increase in the wage rate of the scheme in 1988, employment needed to be rationed and there was a marked reduction in days of employment offered. Despite this rise, MEGS wages remained low and in Gaiha's (2003) study of two villages in Maharashtra he found that in a small tribal village, even though the MEGS wage rate was low, the travel and job search costs in neighbouring villages where wages were higher were such that employment under MEGS was a more attractive option than looking for employment elsewhere. These costs hide the true opportunity cost of participating in MEGS; that is, the true wage rate is not just the MEGS rate less the value of the wage that could have been earned. It needs to take into account possible high search and travel costs (Gaiha and Imai, 2005). This is important in the context of remote rural areas, where working elsewhere would normally entail search and travel costs, as it highlights the fact that low wages provided locally can provide greater spending power than higher wages elsewhere.

In terms of wage preference, part payment in food grains reduced the attractiveness of the employment, and there have been mixed findings in terms of piece rates against time rates (Gaiha, 2003). The very poor, for whom a lack of physical strength prohibits the fast paced work normally offered under time rates, prefer piece rates as do the very skilled who can complete a large number of tasks in a short amount of time. Time based rates have fewer delays and do not carry the same risks of underpayment (*ibid*).

The effect of the MEGS wage on agricultural wages and the bargaining position of workers is difficult to quantify, but there is some evidence that there is a link. MEGS wage rises do lead to agricultural wage rises. The collective identity fostered through the MEGS scheme provides the workers with a strengthened position from which to bargain with landholders (Gaiha and Imai, 2005). The assets created through MEGS increase agricultural productivity and increase the

demand for agricultural labour. Further, the existence of MEGS as an alternative employment source further bolsters the wage (*ibid*).

Assets

One of the key criticisms of MEGS with regards to assets created through the Scheme relates to the benefits of the assets accruing to the wealthy (Gaiha and Imai, 2005). Indeed, the focus of the Scheme on the promotion of unskilled labour is based on the view that given the disproportionate gain of the benefits of the assets by the wealthy, the poor need to also gain, so the focus is on ensuring that at least the wages flow through to the intended beneficiary of the Scheme. However, Gaiha (2003;19) argues that if the benefits of the outputs were to accrue more to the poor then “the tight restrictions on labour intensive employment may not be required”.

Scheme effectiveness

Perhaps the main criticism of MEGS relates to its ability to include all of those who want to participate. The Scheme was designed to provide work to anyone who required it, but in practice, due to financing constraints, it has excluded some of its intended beneficiaries. Exclusion errors are much higher than inclusion errors (Gaiha and Imai, 2005) and, as mentioned in the previous chapter, errors of exclusion are of much greater concern for social protection schemes.

In general, the reviews of MEGS’ effectiveness have been reasonably positive. The Scheme has served an important insurance function, without which some participants would have experienced severe economic hardship and been forced to sell off valuable productive assets (Gaiha and Imai, 2005). Where employment is offered, there are few barriers to participation, especially because employment is viewed as a right in Maharashtra, and MEGS has proved to be a better alternative to many than finding work elsewhere. There is only a mild disincentive effect - that is, the existence of MEGS stopping workers entering into other productive pursuits - related to job search in neighbouring villages especially among women (Gaiha,

2003). The travel and the potentially shorter duration of the employment would be relevant factors here.

While there have been criticisms of a disproportionate benefit to the wealthy, there also have been substantial gains by the poor. In Gaiha's (2003) study of two villages that participate in MEGS he found that irrigation works conducted under MEGS allowed an additional summer crop to be grown and there was also some resulting off-farm employment opportunities generated, such as brick making and construction. This expanded production led to a weakening in the demand for MEGS.

Even though MEGS has some problems with the benefits of the assets accruing to the wealthy rather than the poor and it does exclude some of its intended beneficiaries, this appears to be due to deficiencies in implementation rather than any inherent flaw in the Scheme. In analysing MEGS role in preventing households from entering poverty or helping them escape, Imai (2003) determined that factors other than MEGS were important such as land holdings and dependency burden but as these are structural factors, and difficult to change in the short term, the role of MEGS was seen to be extremely important. Imai and Gaiha's (2005) analysis of MEGS concluded that the "poverty alleviation potential of MEGS is high".

Gaiha (2003) found that MEGS played both protective and promotional roles. In terms of the protective side, it can provide a consumption smoothing function and can prevent "adverse nutritional effects" (*ibid*;16). It has the ability to also play the promotional role by allowing the poor to lift their incomes above the poverty line. Although finding both effects Gaiha did note that the protective function of MEGS was likely to be stronger than the promotional role.

3.3 Testing the Hypothesis

3.3.1 Workfare in Remote Rural Nepal

The focus area for the case study in the analysis of workfare programs and chronic poverty will be the Karnali Zone of remote mountainous Mid Western Nepal. Participant interviews will be carried out in Mugu District of the Karnali Zone. The specific workfare program which will be the focus of this thesis's analysis is the Rural Community Infrastructure Works Programme (RCIW). RCIW has been operating in Nepal since 1996 and in Mugu District since 2000. The objective of the Programme is to improve the livelihoods of the 50,000 households across the country who are most vulnerable to food insecurity. It aims to enable poor people to obtain and maintain assets that contribute to improving access to food and income at both the community and household level.

Workfare programs have been functioning in remote areas of Nepal with high levels of poverty despite the violent conflict between the Communist Party of Nepal (Maoist), hereafter referred to as Maoists, and the government. That the Maoists have allowed these programs to continue in remote rural Nepal is, in part, a reflection of workfare's ability to address some of the difficult conditions faced by inhabitants of these areas.

The case study will assess the extent to which workfare programs are an appropriate strategy for addressing chronic poverty in the Karnali Zone. Based on the existing analysis of chronic poverty, remote rural areas and workfare programs, it is hypothesised that in the Karnali Zone there will be a spatial concentration of chronically poor and their isolation will form a key component of their poverty status. It is further hypothesised that social protection, through the workfare program, can offer the chronically poor benefits that address their isolation and some of the other constraints that they face. The analysis will be broken down into three separate areas: firstly, an examination of the geographic dimension of the chronically poor's poverty; secondly, an analysis of what the workfare program can do for the chronically poor; and, thirdly, how, given the difficult environment and the depth of the poverty, workfare can achieve these results. A key part

of the analysis will be to determine whether workfare goes beyond being a strategy which *could* be used to address chronic poverty in remote rural areas to being a strategy which *should* be used. The specific areas of analysis will be:

- 1) Poverty status – The extent to which the target population is living in chronic poverty will be assessed. Long term panel data with income or consumption information is not available for the target population in Mugu District. Because of this, a proxy for chronic poverty which provides some indication of the duration of the poverty will be used. The proxy will be the experience of “hungry seasons”. This will be supplemented by qualitative data which can provide an insight into the dynamics of poverty and local perceptions of poverty. A key issue in the poverty assessment will be an appraisal of the uniformity of poverty across the broader region as this will have particular relevance for the analysis of coping strategies and wages.
- 2) Income – Although normally associated with methods for addressing transitory poverty, income is also important to the chronically poor. Whether workfare is able to provide appropriate income allowing households to satisfy their basic needs, such as food security, as well as other needs related to livelihood enhancement will be assessed.
- 3) Assets – The asset related trade-off that appears in the literature - that is, the trade-off between equity and efficiency - will be examined. The extent to which the quality of the assets suffers due to the requirement for the scheme to utilise labour intensive methods will be assessed. Particular focus will be on the issue of whether the assets are of *adequate quality*. This will not be a technical analysis but rather an assessment by the RCIW Programme participants in Mugu District which will include an appraisal of the benefits that the assets bring (or may bring in the future) and the importance of the scheme to the chronically poor in terms of the provision of assets as opposed to just the wages. The analysis will include an assessment of the level of participation in the choice of assets and the resulting

implications for the chronically poor. The issue of the use of scarce resources will also be discussed in the context of asset provision, as will the extent to which the benefits of the assets accrue to the target population or the more wealthy households.

- 4) Insurance – The extent to which the mere existence of a workfare program in Mugu District could be significant for the target population in terms of providing insurance whether they access the program or not will be reviewed. Areas of analysis around this issue will cover how to prevent a situation in which the chronically poor are forced to adopt irreversible survival strategies and what changes in livelihood strategies result from the knowledge of a safety net. Whether the main benefit to the chronically poor is experienced during Mugu District's hungry seasons in April/May and July/August or whether the existence of the program has a year round benefit, will be questioned.
- 5) Use of available labour – For the transfer benefit of workfare programs to be maximised, the opportunity cost of labour must be low. Because of the isolation of the Karnali Zone caused by geography in this mountainous terrain and the accompanying lack of off-farm employment opportunities, even with temporary migration, it is assumed that there would be a reasonably high level of labour which could participate in a workfare program and, in doing so, would not be displaced from particularly productive pursuits. The importance of flexible access to the program so as to reduce the opportunity cost, and increase the transfer benefit, will also be assessed. Another important area of enquiry will be the significance of the *work* as distinct from the *payment*; that is, would the transfer alone serve to provide sufficient opportunities to absorb the available labour or is the work aspect a significant productive opportunity?
- 6) Targeting – As a key feature of workfare programs, the ability of these programs to effectively include the poor and exclude the non-poor will be examined. One of the key issues here is that the isolation of the Karnali Zone could serve as a

targeting function in itself by effectively trapping a group of chronically poor people in one area; that is, geographical constraints could perform the targeting function. Even if this is the case, then the self-targeting nature of workfare programs functioning in Mugu District is still of interest because households may be able to utilise the scheme to suit their particular circumstances (for example, having multiple household members participate) in order to maximise their welfare, rather than having bureaucrats or donors make that determination for them.

- 7) Wage Levels and Method of Payment – How the RCIW Programme has set wage levels will be examined as well as whether a trade-off exists between a well functioning scheme (which most of the literature says must have low wages) and effective poverty alleviation. The impact the Programme's existing wages are having on chronic poverty will be assessed as well as the scope for increasing these wages. For those working outside the scheme, there will be an examination of whether the existence of the scheme has had any impact on the bargaining power for better wages and conditions. The suitability of the method of payment will be questioned.
- 8) Type of Payment - The form of these wages, cash or in-kind, will be discussed to determine what best serves the chronically poor. Whether the type of in-kind payment impacts at all on participation will also be assessed.
- 9) Accompanying Strategies – While workfare programs can provide direct benefits to the chronically poor, effectiveness has the potential to be increased by including additional components to the programs. The extent to which conditions are used and are effective in addressing the particular constraints of the chronically poor will be examined, as well as the implications of the right to work having accompanying responsibilities. Appropriate accompanying strategies will also be assessed by seeking comment on what currently exists and what the chronically poor would desire.

10) Conflict - While the link between workfare and its ability to address a root cause of Maoist insurgency is important, it will not form a major part of the analysis. The conflict cannot be ignored, however, and the extra complexity of workfare programs operating in a conflict environment, where there is the potential for benefits to be forcibly taken by those other than the target population, will be considered. Because one of the root causes of the conflict in Nepal is related to long-term poverty and a lack of basic services, any program which is able to address the grievances which fueled the conflict also has the potential to play a positive role in consolidating peace. The role of the program on the conflict and the role of the conflict on the program are both important areas of analysis for this thesis insofar as they impact on the chronically poor in Mugu District.

11) Limitations – A cross cutting issue through the above outlined analysis will be a focus on the limitations of workfare programs in addressing chronic poverty in remote rural areas. Very real issues such as: ongoing asset maintenance; the number of non-working poor (which could be higher in remote rural areas due to residual populations); transport of materials without roads; and, the lack of political will and resources for social protection schemes in a fragile state such as Nepal, will be examined in order to ensure a balanced view of workfare programs' ability to address chronic poverty is presented. Distinctions will be drawn between the limitations of the RCIW Programme and workfare more broadly to ensure clarification between what is Programme specific (and thus can be addressed) and what is a function of workfare as a social protection mechanism.

The analysis will continue to bring the focus back to how effectively workfare addresses the issue of chronic poverty within remote rural mountainous areas; how it is able to reduce the layers of constraints that the chronically poor face and that keep them poor. This thesis is not intended to be a project evaluation but rather a conceptual analysis of the ability of a particular social protection mechanism to address a particular type of

poverty in a particular environment. Some of the results of the analysis will be Nepal specific, and maybe even Mugu District or Karnali Zone specific, but an attempt will be made to highlight relevant findings that could have broader applications.

CHAPTER 4

The Karnali Zone of Nepal: Case Study Background

The Karnali Zone, situated in Northwest Nepal forms the region of focus of the case study. This chapter begins with a discussion of Nepal - specifically poverty in Nepal - with a focus on the geographic nature of that poverty. The tremendous development challenges across the country impact on the government's ability to address specific areas of need like the Karnali Zone. The dynamics of the recent conflict in Nepal are briefly examined as are existing social protection mechanisms within the country. This provides the national context for the next section in this chapter which details the key relevant characteristics of the Karnali Zone. Then, as some final background before the following chapter which presents the case study, a description is given of the Rural Community Infrastructure Works (RCIW) Programme which is the social protection mechanism chosen for analysis. The description of RCIW within this chapter is intended to highlight how the Programme is meant to function. The following chapter will delve into how it does function and assess its relevance for addressing chronic poverty in the remote rural area of the Karnali Zone.

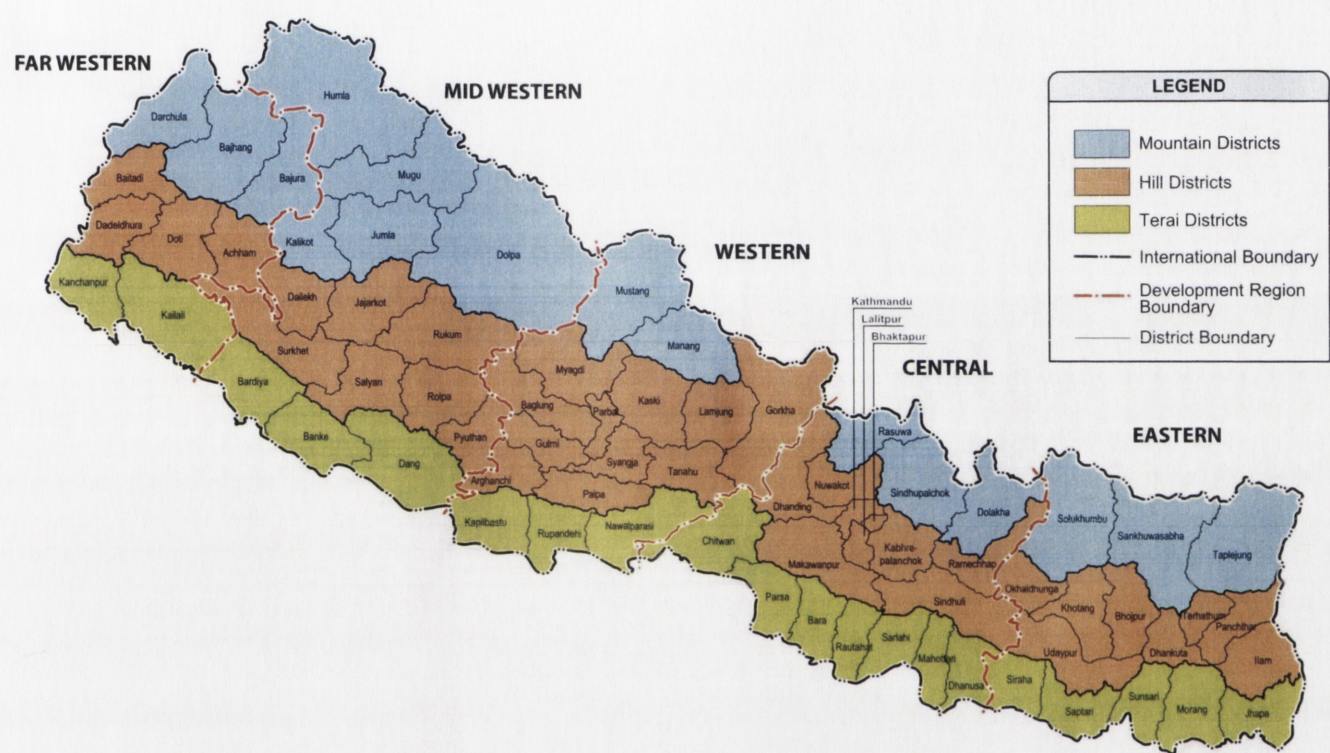
4.1 Nepal

4.1.1 Overview

Surrounded by China and India, Nepal is a small, landlocked country which straddles the area where the Eurasian and Indian plates collide to form the Himalayan mountain range. It has a population of approximately 24.8 million people (Central Bureau of Statistics, 2004). It is a predominantly rural population, although the urban population has been increasing over the last thirty years; from four percent in 1971 to 14 percent in 2001 (ORC Macro, 2002). Eighty one percent of the population works in agriculture, which is

one of the highest rates in the world (SAAPE, 2003). Annual per capita income is US\$240 (UNDP, 2005) and Nepal is classified as Least Developed Country. In UNDP’s Human Development Index, Nepal is ranked 137th out of 177 countries, scoring particularly low in areas of literacy and maternal and child health (UNDP, 2005).

Map 1 – Nepal



Source: Adapted from ICIMOD (2003a), “District of Nepal Indicators of Development”, Update 2003, Prepared jointly by Central Bureau of Statistics and International Centre for Integrated Mountain Development

As Map 1 shows, Nepal is divided into three ecological zones (Mountains, Hills and the Terai), five development zones (East, Central, West, Mid West and Far West) and 75 districts. The districts are then further divided into municipalities and Village Development Committees (VDCs), and each VDC comprises approximately nine wards (ICIMOD, 2003).The population is concentrated in the fertile plains of the Terai and the valleys of the Hills although there is a significant population in the remote mountainous areas which have harsher conditions both in terms of land quality and climate than the

other ecological zones. Although the mountainous areas comprise one third of the land area, only two percent of this is available for cultivation (Rajan, 2003).

Nepal has experienced moderate economic growth, even through the ten years of internal conflict (from 1996 to 2006). From 1990 to 2003 GDP per capita grew by an average of 2.2 percent (UNDP, 2005). This growth figure could be viewed positively except that growth was very unequal and had little impact on the rural poor (SAAPE, 2003). The UNDP's recent Nepal Human Development Report (2004b), states that Nepal's growth is not broad-based. The agricultural sector has not diversified its production structure and, in other sectors, growth has been urban biased, and so growth has not been pro-poor. UNDP (*ibid*; 2) describes growth as being pro-poor "when it uses the assets that the poor own, favours the sectors in which the poor work and takes place in the areas in which the poor live". This has not occurred in Nepal.

4.1.2 Poverty in Nepal

Estimates differ on poverty in Nepal depending on the calculation. Recent data suggests that income poverty has fallen from 42 percent in 1996 to 31 percent in 2004 (CBS, 2004). However, in 25 remote districts, the rate ranges from 45 to 60 percent. With the population increasing at such a speed, even though there has been a fall in the proportion of people living in poverty, the actual number of people has increased dramatically doubling in the last 20 years (SAAPE, 2003). Over the same period the share of total income of the poorest 40 percent of the population has decreased and the share of the total income of the top 10 percent has increased significantly (*ibid*).

As mentioned earlier, chronic poverty is not only an income phenomenon but a multidimensional condition comprising a variety of constraints and some of the key constraints in Nepal will be detailed below. These constraints indicate that poverty is of a chronic nature, but due to data limitations, specifically a lack of time series data, it is difficult to calculate chronic poverty using the spells or components approach. Proxies must be used for determining chronic poverty in Nepal. Those proxies, which suggest long-term deprivation such as child stunting and continual food insecurity, all indicate

that poverty is persistent. There is a general consensus that poverty is persistent and, hence, chronic poverty exists (Sadeque, 2003; UNDP, 2004a)

Some of the main constraints which keep people in Nepal in a state of persistent poverty include: a lack of access to basic services; exclusion from effective participation in society; a lack of return to assets and labour; and, geographical constraints. These constraints will be briefly described below:

a) Access to Basic Services

Health – There have been some improvements in the health situation in Nepal but it remains serious. The number of health facilities has increased but so has the population. In 2001, the average number of people per government health institution was 5,663. This varied substantially by district from 685 (Manang) to 17,177 (Kanchanpur) (ICIMOD, 2003). Under-nutrition is significant in Nepal. Fifty percent of children are stunted (short for their age), 10 percent are wasted (thin for thin for their age) and 48 percent are underweight (ORC Macro, 2002). There has been little improvement in nutritional status of children in the last decade (*ibid*). Food insecurity is a serious problem in Nepal. Food production in certain parts of the country is significantly short of requirements. Seventy five percent of rural households have no sanitation (*ibid*). Nepal also has one of the worst maternal mortality rates in the world at 539 deaths per 100,000 women. One out of every 185 pregnant women dies because of complications with the birth or pregnancy (UNDP, 2004b). This high death rate is attributable to lack of access to appropriate pre and post-natal care.

Education - Access to education is improving but is still poor. The primary school enrolment rate has increased from 57 percent in 1995/96 to 72.4 percent in 2003/04. Literacy, while still low, has climbed to 54 percent; up from around two percent in 1951 (UNDP, 2004b). Education statistics vary enormously depending on a number of factors including age, sex, geographic, and caste differences. For example, 26.8 percent of average six to nine year old girls have never attended

school compared to an average of 97.5 percent of women aged 60 and above (CBS, 2004). The main reason for not sending boys to school is related to the expense (*ibid*). For girls, the main reason is that the parents do not want them to go followed by the need to help in the home; the expense is ranked third for girls (*ibid*). The government has made some meaningful reforms to the education sector, but until primary education is made compulsory, their goal of universalisation will remain elusive (UNDP, 2004b).

Infrastructure – Out of the 75 district headquarters, 15 do not have road linkages (SAAPE, 2003). Commercial agriculture has been developing rapidly in regions that do have good road networks, indicating a strong link between the two (UNDP, 2004b). Without roads, transport of essential commodities to remote rural areas has become prohibitively expensive (*ibid*). Communication infrastructure is similarly underdeveloped. Only 2.5 percent of households have access to a phone (ORC Macro, 2002) and over half of the Village Development Committees have no phone access (UNDP, 2004b). Fifty percent of the rural population has access to a radio and only one percent has a television (UNDP, 2004b). Thirty one percent of households have access to electricity, and the cost per unit of electricity in Nepal is the highest in South Asia (*ibid*).

b) Social Exclusion

Caste / Ethnic Minorities – Discrimination on the basis of caste and ethnicity is an entrenched practice in Nepal. A key result of the recent peace agreement is that the Constitution of Nepal will be rewritten but, until recently, although it stated that people should not be discriminated against on the grounds of sex, religion or caste, in practice it supported discriminatory practices by upholding “traditional religious practices”. Low caste groups such as the Dalits who comprise 12.9 percent of the population, are often denied access to education and other basic services (UNDP, 2004b). The unsanitary living conditions into which Dalits are often relegated reinforces the stigma of untouchability. Caste and ethnicity are significantly correlated to poverty. For example, 25 percent of people of Newar

ethnicity are below the poverty line compared to 71 percent people of Limbu ethnicity (SAAPE, 2003). Discriminatory practices prevent low caste or ethnic groups accessing opportunities to improve their lives. Only in 2006 did Nepal move from being a Hindu Kingdom to a secular state, which removed the formal dominance of one language and one culture.

Women - In addition to facing discrimination based on caste or ethnic group women also face systematic discrimination based solely on their gender. UNDP's Gender-related Development Index exposes rural areas as having a greater degree of gender inequality than urban areas (UNDP, 2004b). Violence against women is severe in rural areas. In a recent country-wide demographic and health survey, men were questioned about reasons for hitting or beating their wives, and 73.1 percent of men living in the western mountainous region agreed with at least one reason (ORC Macro, 2002). This compared to 25.5 percent of urban men. The survey also found that women often have very little say in how their earnings are spent and one in two married women responded that their husband has the final say in their health care (*ibid*). Women also work longer than men, 641 minutes versus 547 minutes per day for men (UNDP, 2005). Some estimate the women's daily work burden to be as high as 16 hours per day (UNDP, 2004b). Participation of women in productive, non-household related activities, is one of the highest in the world ((UNDP, 2004b). Female literacy at 33.8 percent lags well behind male literacy at 64.5 percent. The government has attempted some measures to address discrimination against women but it is yet to adopt any policies aimed at mainstreaming gender as a key strategy in promoting equity and equality (UNDP, 2004b).

c) Returns to Assets and Labour

Over 70 percent of Nepal's population still works in agriculture (CBS, 2004), one of the highest rates in the world (SAAPE, 2003). Although this has declined from over 80 percent eight years earlier, its share of GDP has declined even more, which indicates that agricultural productivity has declined (UNDP, 2004b). Nepal's high rate of population

growth means that an extra 300,000 people join the labour force each year (SAAPE, 2003). Growth in employment opportunities has not kept pace with population growth resulting in people seeking work outside Nepal. Over 31 percent of households receive remittance income (CBS, 2004). Even if the economy grew at a rate of four percent as it did during the Ninth Plan (1997 - 2002), this equates to only 100,000 jobs annually (UNDP, 2004b). The employment opportunities in Nepal are mostly in the informal sector, are low paid and require low skills. There is little access to training opportunities in this sector. Underemployment is also an issue in Nepal with some estimates as high as 43 percent (UNDP, 2004a).

There is a strong correlation between poverty and access to assets. The non-poor have more land, greater access to irrigation and higher levels of education than the poor (UNDP, 2004). Landholdings are very unequal; the bottom 40 percent of households owns only nine percent of the land, and the top six percent owns 33 percent. The small size of landholding constrains productivity (SAAPE, 2003). Most landholdings, 69 percent, are less than one hectare and 88 percent are less than two hectares (*ibid*). One fifth of rural households own no land. Due to the fragmentation of landholdings, subsistence agriculture is increasingly unable to meet the needs of the household, so a combination of agriculture and day labour work is becoming the norm (ADB, 2004).

Compounding the ownership difficulties is the issue of quality. While size of land holding is important, it is the return from the land that is most relevant. In a country like Nepal, with such varied ecological terrain, productivity can differ substantially even in a small area. Across the Terai, Hill and Mountain region a common finding is that the non-poor have significantly more productive land. The average productivity of land of non-poor households, with only small holdings of land, is Rs 26,058 (approx. US \$371) per hectare. This compares to only Rs11,199 (approx. US \$159) per hectare for the same sized holdings for poor households (UNDP, 2004a).

d) Geographic Dimensions to Poverty

Poverty in Nepal is widespread, and pockets of poverty exist across all development regions and ecological zones; however, when looking at the concentration of the poor across the country there is a distinct geographical dimension to poverty in Nepal. Rural areas are significantly poorer than urban areas and the mountains generally have development indicators well behind the other regions. The Mid and Far Western development regions of Nepal are particularly excluded from the broader development processes in the rest of the country, irrespective of other factors which govern exclusion in other parts of the country such as caste, ethnicity and gender. It is therefore important in any development strategy to not only focus on disadvantaged groups, but also on disadvantaged regions.

UNDP has created a human empowerment index to capture the multidimensional nature of deprivation that characterises poverty (UNDP, 2004b). It brings together the political, economic and socio-cultural dimensions of empowerment. Across each of these areas the mountainous regions score lower than the other ecological regions. When broken down even further the mountains in the west of the country is the most disadvantaged region. The low political, economic and socio-cultural empowerment in the mountainous regions of Nepal, and particularly the western mountains, manifests itself in some very visible constraints in the areas of health, education, infrastructure and assets as described below.

4.1.3 Poverty in the Mountainous Regions of Nepal

As mentioned earlier, poverty in Nepal has declined recently, but the poverty rates in the remote rural areas remain high. The mountainous regions are the most deprived, particularly in the areas of health, education, infrastructure and assets.

Health - Access to health care facilities has improved across Nepal, but access remains difficult in mountainous areas, with over 35 percent reporting that it takes over an hour to reach the nearest facility (CBS, 2004). Life expectancy at birth in Nepal is 61 but only 52 in the mountains (UNDP, 2004b).

Nepal used to be a food surplus country until the 1970s, but the mountains and hill regions have always been vulnerable to food shortages (UNDP, 2004a). It is estimated that food production in certain parts of the country has remained short in all analysed years by 37 to 45 percent (UNDP, 2004a). In the period 1994-1998, 70 percent of mountainous districts had a food deficit of more than 40 percent. (*ibid*). UNDP (2004a; 32) considers this food security data to be evidence of “chronic, long term poverty in remote areas [of Nepal]”. Surveys of mountain and hill regions have shown that local production can meet food needs for only 5-6 months on average each year, which means that people have to adopt other coping strategies to survive for the rest of the year (WFP, 2001).

The problem of accessing sufficient, nutritious food is experienced across Nepal, but it is felt in some areas more than others. For example, in rural areas children are more likely to be stunted (52 percent) than children from urban areas (37 percent). Predictably, in mountainous areas, children are even more likely to be stunted (61 percent) (ORC Macro, 2002). Fifty percent of children under five are chronically malnourished across Nepal, but that figure rises to 75 percent in the Mid Western mountains (UNDP, 2004b).

Education - The literacy rate for the mountains is 36.1 percent compared to 52.3 percent in the hills and 48.6 percent across Nepal (UNDP, 2004b). In the mountains of Nepal, 81 percent of women have had no education in the form of formal schooling (ORC Macro, 2002). In the Western mountains this figure jumps to 92.7 percent. Some of the least developed districts have extremely low numbers of girls enrolled as a percentage of total enrolment. In Kathmandu, 47 percent of enrolments are girls, whereas in the Western district of Kalikot only 32 percent are girls (ICIMOD, 2003). In the Mid Western mountain district of Humla, only 4.8 percent of adult females are literate (UNDP, 2004b).

Infrastructure - Over 80 percent of urban households have electricity, whereas only 21 percent of rural households have access (UNDP, 2004b). The figures are even worse for the more remote regions with only 6.1 percent of the population living in the Far Western mountainous region having access to electricity (UNDP, 2004b). Access to roads is

similarly absent in many districts, particularly those in the Mid Western mountain region where there are no roads (ICIMOD, 2003).

Assets - In the mountainous region, the correlation of being landless, or only having a small land holding, to poverty is higher than in other regions. In the Terai region 60 percent of the landless were non-poor whereas in the mountain region 77 percent of the landless were poor (UNDP, 2004a).

The ability to protect assets during difficult periods relies on access to credit. In the Terai, 25 percent of households have access to institutional credit (UNDP, 2004b). This compares to 14 percent for households in the mountains (*ibid*).

4.1.4 The Maoist Insurgency

Nepal's development problems have been compounded by the Maoist insurgency, which began in 1996. A peace agreement was signed in 2006, but thousands of Nepalis, including innocent civilians, died in the fighting over the previous ten years. The country was caught up in a vicious cycle of political instability, poverty and economic stagnation. Remote mountainous areas, with their fragile livelihoods, in what is often very marginal land, have been particularly affected by the conflict. Coping mechanisms have been constrained due to restrictions on movement, and development activities in underdeveloped regions have been delayed. Schools were routinely overtaken by the Maoists, and thousands of teachers fled rural schools, resulting in serious disruptions to children's education. The Nepal economy suffered badly with tourist numbers plummeting and infrastructure being destroyed (SAAPE, 2003). In a country with very limited resources, it could ill afford the seven fold increase in government security expenditure from 1990/01 to 2002/03 (*ibid*).

One of the root causes of the conflict was the inability of democracy, which came to Nepal in 1990, to deliver substantial gains to the poor. The development budget is low, with the international community funding approximately 60 percent of it (ADB, 2004). Visible signs of government service delivery were rare, particularly in the more remote

areas. This culminated in discontent among the people in two deprived districts and this discontent was mobilised by a communist political party. The movement spread across the whole of rural Nepal.

The Comprehensive Peace Accord signed by the Maoists and the government in November 2006 is holding, and observers are optimistic that there will not be a return to violent conflict. However, government institutions remain weak and may not be able to deliver on promises made to the people, especially in the areas of generating employment opportunities and delivering basic services to deprived areas. There remains much healing to be done as human rights abuses on both sides were atrocious and trust in the authorities will take time to rebuild.

4.1.5 Social Protection Mechanisms in Nepal

In 2004, the Asian Development Bank (ADB) commissioned a study on social protection in Nepal. The study examined existing social protection mechanisms and also made recommendations about some future appropriate uses of social protection in Nepal.

Social protection programs in Nepal are described in the study as “broadly based but shallow” (ADB, 2004;iv). The framework exists but it does not assist many people. Nepal has passed labour market legislation protecting formal sector workers but, given that 80 percent of the population does not work in the formal sector, the legislation does not provide any support to the majority of the population. The only government financed income transfer is the *Senior Citizen’s Allowance*. The government does provide some funding to the Rural Community Infrastructure Works Programme, but funds are limited to an equivalent of NRs50 per capita (approx US\$0.75).

Microfinance initiatives have been present in Nepal since 1956, but coverage is far from universal. Between one quarter to one third of rural communities have access to microfinance arrangements (including micro insurance).

In the absence of other social protection options, children are used as an economic resource; a coping mechanism for households. It is estimated that 40 percent of children work and many are victims of human trafficking (*ibid*). Many are trafficked to India for commercial sex work and others are trafficked both inside and outside Nepal to work in areas such as domestic service and the carpet industry (UNDP, 2004b). Protecting children depends on the ability of poor households to develop the capacity to meet the needs of the children both in terms of education and health. Increasing household income is not the only answer, but it is a key part of solving the problem.

The ADB study estimates that just under 14 percent of Nepal's budget outlays are for social protection strategies (including health). Given the needs, this is a very modest outlay. In attempting to address some of the usual criticism of social protection - that is, that it is a luxury that a small, poverty stricken country like Nepal can not afford - the ADB study suggests that there are considerable revenue gains to be made through efforts to improve tax compliance. Further, they cite the recent high military expenditure (15 percent of total government outlays) as evidence that expenditure priorities can shift if the political will exists. Finally, and as detailed in Chapter 2, social and economic spending decisions can be reinforcing. The choice is not between one or the other; social spending can support economic goals. Social protection programs, as compared with economic development programs, have the benefit of providing immediate impacts, including economic benefits, which can help address some of the root causes of the conflict in Nepal.

Because of the unorganised nature of the informal sector, the best way to target appropriate interventions is not obvious. One option that is suggested by the ADB study is to use geography. As Nepal has some spatially concentrated poverty, geography could serve well as an entry point. It could guide policy makers to populations that, while not homogenous in their poverty, are experiencing significant deprivation.

The two approaches recommended by the ADB study are the establishment of:

- 1) a National Employment Program. Wage based employment would be guaranteed on a household basis. This would be followed up with increased access to microcredit to promote longer term income generating activities.
- 2) District Welfare Funds. These funds would exist in each of the 75 districts and provide financial support to the destitute, the aged, widows and people with ongoing disabilities. It is estimated that there would be approximately 650,000 people eligible for payments.

The increase in transfers to rural areas for both programs would have benefits for rural markets.

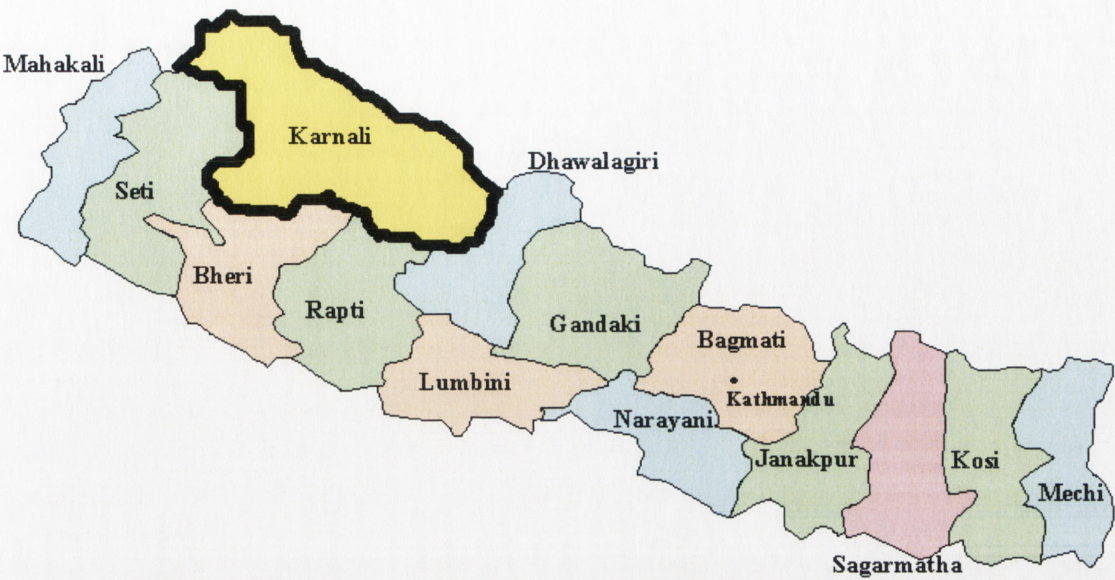
The first recommended approach is of particular relevance to this thesis as it supports the approach taken by the Rural Community Infrastructure Works Programme (RCIW), which will be discussed in more depth later in this chapter. RCIW is not a national program as is recommended by the ADB study but it has used geography as a way to target appropriate households which is in line with other recommendations made by the ADB study.

4.2 The Karnali Zone

4.2.1 Location and Climate

The Karnali Zone is located in the North West of Nepal as shown in Map 2. It is officially referred to as the Mid Western mountain region and comprises the five districts of Humla, Mugu, Dolpa, Kalikot and Jumla. It is an extremely remote region, and none of the districts yet have motorable roads, compounding the remoteness. The difficult terrain can make walking, the main transport method in the region, an arduous undertaking.

Map 2 – Nepal – Administrative Zones - The Karnali Zone



Source: Adapted from Relief web (1997) http://www.reliefweb.int/map/asi_sth/cnt/npl/npl_ad1.html

Much of the region is situated in a rain shadow which disrupts the monsoon, resulting in the rainfall pattern being markedly different to that of the central and Eastern mountain areas of Nepal. The Karnali Zone is much drier and warmer than these areas. Warmer is a relative term of course, with much of the Karnali Zone experiencing only 120-180 days free from frost which severely limits the growing season (Bishop, 1990). Strong valley winds contribute to the dryness of the region and hinder air travel to the few existing air fields. Snow fall is much heavier during the winter than it is in the East due to the particular topographic conditions, and because of the area’s more northerly latitude it is also slower to melt in the spring (*ibid*).

4.2.2 Characteristics

The Karnali Zone fits within Jodha’s (1990, 1992) conceptualisation of mountain environments as described in Chapter 2 in terms of inaccessibility, fragility, marginality, diversity and niche. With no roads, the region is *inaccessable* as dramatically highlighted during the recent drought of 2006 when the only way to get emergency food relief to suffering communities was through costly air lifts. The malnutrition situation worsened and people were so desperate for food that there were reports of people eating uncooked

rice from the food drops (eKantipur, 2006). In a more integrated area with a less vulnerable population, the consequences of the drought would have been less serious. The mountains of Karnali are very *fragile* and have suffered degradation as a result of livelihood strategies. They represent extremely *marginal* environments within which to obtain a sufficient standard of wellbeing. The Karnali Zone also represents a marginal environment in terms of the political voice of the population. The region has long been ignored by the central authorities in Kathmandu. On the positive side the Karnali Zone does enjoy significant *diversity* compared to the plains with different ecosystems existing at different elevations and different topographical conditions. As a result of these unique conditions, the Karnali Zone does have a certain *niche* in the production of herbs, medicinal plants and other wild vegetation (Bishop, 1990). There is a market for these medicinal plants elsewhere in Nepal. They are also demanded by pharmaceutical firms in India and elsewhere (*ibid*). The killing and selling of protected fauna also has become a source of income in difficult periods.

Perhaps the overriding characteristic of the Karnali Zone at this time in Nepal's development is its depth of poverty. It is overwhelmingly acknowledged to be the poorest region in Nepal and suffers from yearly food shortages. On average, a normal year's food production only lasts six months, and most of the population survives on less than US\$1 a day (IRIN, 2006). The situation has not always been so dire in the region but population pressures have pushed down living standards over the last few decades (Bishop, 1990). Due to the proximity to Tibet, most households in the Karnali Zone engaged in cross border trade with Tibetans, but this trade was officially suspended a generation ago (National Programme Support Unit, 2002a). The conflict over the last ten years has also damaged livelihoods.

Primarily due to the lack of roads, markets do not function well. In the severe drought of 2006, relatives in India were sending funds back to their villages in the Karnali Zone, but there was no food to buy (Newar, 2006). Even in normal times when goods are being brought into Karnali, the cost can be prohibitive. A bag of cement, for example, which

costs NRs 300 in the market centre of Nepalgunj to the south of the Karnali Zone, can cost NRs 3,000 in Karnali (Khadka, 2000).

Table 1 well illustrates the depth of deprivation within the Karnali Zone. As the field work, which will be detailed in the next chapter, focuses on Mugu District within Karnali Zone it has been highlighted separately.

Table 1 – Nepal - Geographic Differences

	Nepal	Urban	Rural	Karnali Zone	Mugu District
Life expectancy at birth (years)	60.98	64.53	60.61	52.94	44.07
Adult literacy (%)	48.6	68.3	45.0	25.3	24.1
Mean years of schooling	2.75	5.06	2.35	1.48	1.40
Chronic malnourishment among children under 5 (%)	50.5	36.6	51.5	75.0	68.8
Infant mortality (number of deaths of infants under one year per thousand live births)	68.51	51.71	70.32	116.53	173.83
Population with life expectancy less than 40 years (%)	17.74	13.39	18.20	29.02	40.30
Population without access to safe water (%)	20.48	11.46	22.19	38.84	44.83
GDP per capita (PPP\$US)	1310	2224	1162	940	1105
Labour force employed in non agricultural jobs (%)	31.33	71.74	25.75	15.26	10.83
Electrified households (%)	31.8	82.53	21.34	11.69	5.68
Households with access to institutional credit (%)	19.85	N/A	23.52	0.96	0.00

Source: UNDP (2004b)

The Karnali Zone falls under the national averages for most social indicators of wellbeing. Of particular concern are the statistics on child welfare. Three quarters of the

children in the Karnali Zone are chronically malnourished. In the absence of good district level time series data, this indicator forms a good proxy for the proportion of people in the Karnali living in chronic poverty. The infant mortality rate in Mugu District is higher than the rate in any country in the world (UNDP, 2005a). The life expectancy for Mugu is the lowest of all districts in Nepal.

On the economic side, significantly more people in the Karnali Zone are employed in the agricultural sector and, due to the harsh conditions of the region, earn less from their efforts than people in other parts of the country working in agriculture. For the purposes of this thesis the term agriculture includes animal husbandry, which is prominent in the Karnali Zone, as is the practice of transhumance (the seasonal movement of people and animals in search of pasture) which reduces the pressure on people's own limited land holdings. Of particular importance within the economic statistics above is the low rate of access to institutional credit, an important social protection mechanism. Less than one percent of the population within the Karnali Zone has access compared to almost a quarter of the rural population across Nepal.

While the above figures for the Karnali Zone are grim for both the social and economic indicators, they become worse when gender differences are examined. As discussed in earlier chapters, poverty is a multidimensional concept and people face various constraints, gender discrimination being one of them. Education is one of the main areas in which females face discrimination. The adult literacy level for Karnali is extremely low at 25.3 percent, but it hides the enormous difference in the adult male and female's previous access to education. The adult male literacy rate is 41.2 percent compared to the adult female rate of 7.9 percent. The female rate is even lower in Mugu District at 5.2 percent. The average years of schooling for males in the Karnali Zone is 2.41 compared to 0.55 for females (UNDP, 2004b). Across the whole country, the percentage of ten to 14 year olds who are usually economically active is almost 20 percent. In the district of Mugu, the male child economic activity rate is slightly higher than this average at 27.8 percent, but the rate for female children is staggeringly higher, the highest in the country, at 70.1 percent (ICIMOD, 2003b).

As well as gender differences it is also likely that the statistics hide caste and ethnicity differences. While statistics are not readily available for district level caste discrimination, it is surmised that this is one area in which the Karnali Zone does not fare particularly badly in comparison the rest of Nepal. This is not to say that there is a lack of discrimination, rather that the discrimination is being practiced across the country. For example, across the country 12.9 percent of enrolled primary students are from disadvantaged castes. Mugu District records 15.9 percent of disadvantaged caste enrolments (ICIMOD, 2003b). That the Karnali Zone practices discrimination based on caste more or less to the same extent as the rest of Nepal does not diminish its seriousness. In such a marginal environment it represents yet another constraint people need to overcome to achieve a satisfactory livelihood. The Karnali Zone has scarce arable land and only a small proportion of that is considered to be the superior *khet*, access to which is determined by caste status (Bishop, 1990). In Mugu District, for example, only five percent of the *khet* land is held by the lower castes (*ibid*).

Government services in the Karnali Zone are notoriously poor, but in the area of education the government has started to address this deprivation. Fifty percent of girls receive scholarships of Rs 250 yearly up to grade five. The scholarship recipients are determined by the school management committee and are meant to be the most needy. All dalit children, male and female, also receive Rs 250 yearly up to grade five. Through the Karnali Scholarship Program students in grades six to ten receive Rs 1,000 yearly. These amounts are small but have been contributing to keeping children in school.

The social and economic indicators for the Karnali Zone in some cases have been improving, but they are coming from a very low base. The initial conditions were extremely poor, but there is evidence that despite these initial conditions substantial improvements can be made beyond those which the Karnali Zone has been able to achieve to date. For example, the Manang and Mugu Districts, both mountainous regions, had total literacy rates of only 4.7 percent and 5.2 percent respectively in 1971. By 2001, in Manang, the total literacy rate had jumped to 60.5 percent whereas the rate in Mugu

had only increased to 28 percent (ICIMOD, 2003b). The other Karnali districts showed similar slower improvements (*ibid*). Thus the initial conditions can be blamed to some extent for the Karnali Zone's current low level of development, but the Manang case demonstrates that there is significant room for improvement.

4.3 The Rural Community Infrastructure Works Programme

4.3.1 Overview

The section provides a brief description of the RCIW Programme and how it seeks to function. It does not provide any comment on how it actually functions or any assessment of its strengths and weaknesses. In the context of the next chapter, which looks closely at how the Programme functions in Mugu District of the Karnali Zone, an assessment of RCIW's relevance for dealing with chronic poverty will be made through analysis of primary data from the field. In addition to the field data, various reviews of the scheme conducted by others in different districts will be discussed in an attempt to assess the Programme's appropriateness.

4.3.2 Background and Objectives

The RCIW Programme began in 1996 as a Nepal Government initiative supported by World Food Programme (WFP) and the German Government through German Technical Cooperation (GTZ). The existence of the RCIW Programme indicates at least some level of political will on behalf of the Nepal Government to support social protection measures. The intention of RCIW is to target 50,000 households in 25 of the most food insecure districts and provide approximately 70 days of work per household, equivalent to 280kg rice per household during a work season which corresponds to the agricultural slack season (WFP, 2005a). Due to the food shortages suffered by most targeted households, this slack season is the time households would be resorting to various coping strategies such as gathering herbs and plants in remote areas or migrating to more integrated areas to work as day labourers.

The long-term objective of the Programme is:

“To create productive infrastructure through the self help approach in order to improve the food security status of the poor rural households through the institutional framework of local agencies by remaining within the policy provisions related to poverty alleviation of His Majesty’s Government.” (Ministry of Local Development, 2002; 1)

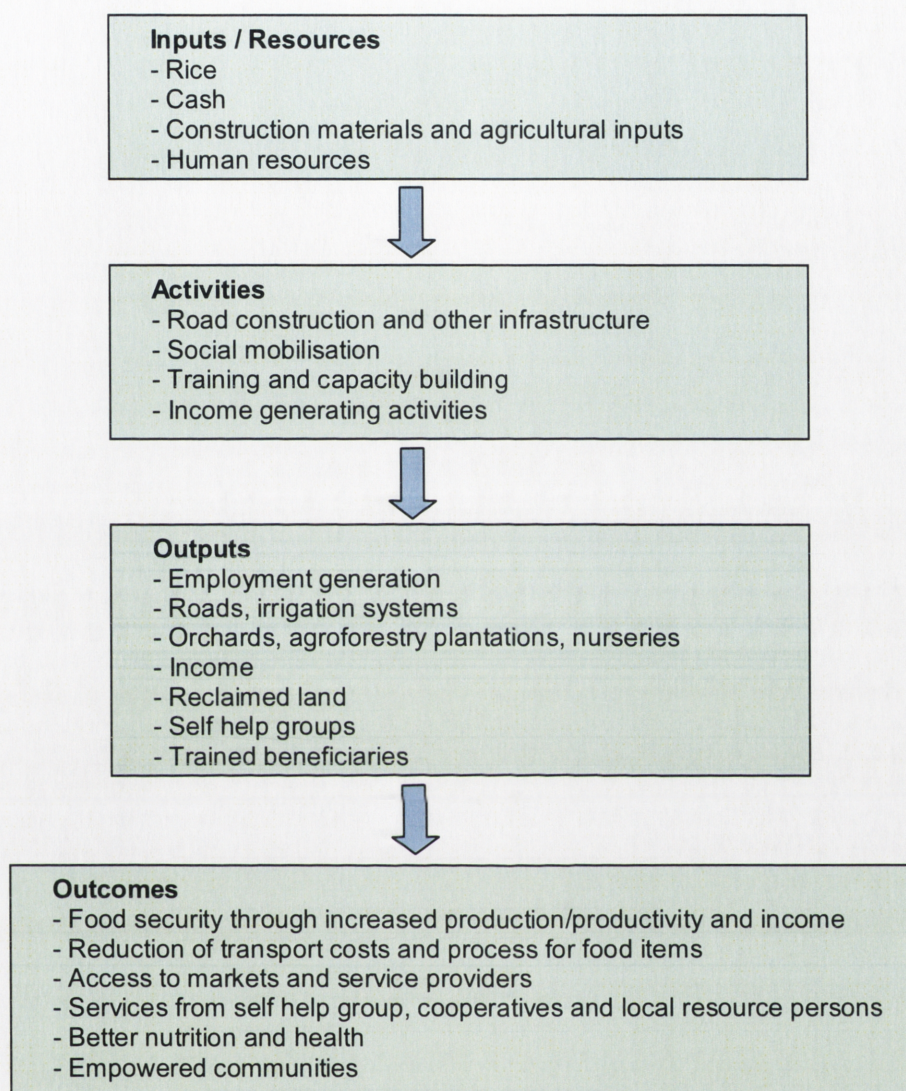
The short- term objectives are:

- a) To provide assistance in the creation of productive infrastructures that provide long-term security to the rural households.
- b) To enhance the self-reliant capacity of rural communities, particularly women and the deprived, in order to assist in properly engaged livelihoods by bringing about improvements in the immediate food necessities of the poor rural households.
- c) To minimise damage from natural calamities in vulnerable regions.” (Ministry of Local Development, 2002; 2)

The focus of the Programme is on the most food deficit districts and most food insecure households within those districts (WFP, 2006) and it is based on the concept of helping people to solve their own problems rather than imposing external solutions to development problems. The technical quality of the constructed assets and the social dimensions of the Programme are given equal importance (WFP, 2006). Social mobilisation forms a key part of RCIW and through this the Programme aims to transform target populations from “being recipients of benefits to being active participants in the development process” (National Programme Support Unit, 2002b;1).

The Programme intends to achieve its outcomes as illustrated in Diagram 3.

Diagram 3 – RCIW Inputs to Outcomes



Source: Adapted from National Programme Support Unit (2005), Annual Report for Rural Community Infrastructure Works Programme– Fourth Year of Phase II (Mid-July 2004 to mid-July 2005), December 2005

4.3.3 Components

There are three key components of the RCIW Programme; core projects, micro projects and complementary activities. Each are meant to reinforce the other components. The

core projects refer primarily to the construction of roads. An assessment has been made by the Programme management team, in consultation with the local population, that the lack of roads is one of the key constraints to development in the most food deficit areas. The aim is to link these roads into the national road network. The roads are built in sections that eventually join in order that people can be working on the one road in different locations. The roads are typically built so that they pass near population centres which facilitates easy access to the work and the transport link when the roads are completed. Approximately 80 percent of resources have been dedicated to the core projects. Until recently, if micro projects or complementary activities were not of sufficient size as to absorb the remaining 20 percent of resources, these resources could also be used for the core projects (Ministry of Local Development, 2002). As mentioned previously, 50,000 households are expected to directly benefit from the Programme, but the infrastructure constructed is expected to benefit over 500,000 people (National Programme Support Unit, 2005).

The roads are constructed using a “green engineering” or “green roads” approach. It is a low technology approach which emphasises protection of natural resources so as not to damage the often fragile local environments on which local livelihoods depend (WFP, 2006). The construction method is labour intensive and has the potential to employ a large number of local people. The roads are built over a number of phases by which time the road bed is naturally stabilised (National Programme Support Unit, 2005). In the first phase a track is opened and in subsequent seasons the track is widened until it is of motorable width. The track is thus not immediately motorable, but just having a track can assist in the transport of goods using other means, such as animals.

Approximately 20 percent of the Programme’s resources have been allocated to productive micro projects (15 percent) and complementary activities (five percent) (WFP, 2005b). The community identifies relevant micro projects. Participants in micro projects all work on the core projects and through the groups formed on the core project, develop other activities which they believe would improve their livelihood or welfare. Examples of micro projects include small-scale irrigation, fish ponds and orchards. The

complementary activities refer to such things as literacy training, savings and credit groups, cooperative formation and construction of household and community facilities such as sanitation facilities within schools. A key complementary activity is called Participatory Learning Actions (PLA) and is a form of adult learning which emphasises issue based discussions for literacy and numeracy. The aim of both the micro projects and the complementary activities is to improve people's livelihoods so that when the road is completed, and there is easier access to the rest of the country, the population will be better positioned to take advantage of the more integrated environment (WFP – interview, 2006). They will have enhanced capabilities and confidence to exploit the new opportunities.

4.3.4 Participants

RCIW is designed to be a self-targeting mechanism; people who want to work on the Programme identify themselves. If people want to work they are deemed to be eligible participants. Due to the depth of poverty and level of food insecurity in most of the geographically targeted areas, and given there is a limit on the food resources provided by WFP, there is a problem in some areas of having too many people wanting to participate and hence the self-targeting feature of this Programme is compromised. Efforts to deal with this problem will be discussed in the following chapter.

Women, lower caste and ethnic groups are encouraged to participate in the Programme. Given the low levels of literacy and other skills among groups who typically suffer discrimination, the complementary activities are particularly important for these groups.

4.3.5 Structure / Implementation of the RCIW Programme

At the central level there is a Programme Coordination Committee (PCC) which comprises the Ministry of Local Development; WFP, GTZ and other donors that are involved in the Programme. The PCC is concerned with the more macro issues of Programme strategy, guidelines and effectiveness. The overall responsibility of the Programme lies within the National Programme Support Unit – a body which exists within Nepal's Ministry of Local Development. WFP's main responsibility is to provide

rice, with which to pay the participants, and GTZ is the main technical assistance provider. It performs this role through other groups such as Netherlands Development Organisation (SNV) in the Karnali Zone.

At the district level, the District Programme Support Unit, under the District Development Committee (DDC), takes care of the local logistical issues such as disbursement and transportation of rice. The DDC ensures, among other things, that the activities of RCIW fit within the District Development Plan (Ministry of Local Development, 2002). The core activities, road construction, are selected with reference to the District Development Plan and the desire for as many populated areas with food insecure households to participate as possible.

At the local level, the Village Development Committee's (VDC) main function is to facilitate micro project identification. They also play a key role in maintenance and collect funds to this purpose. They assist User Groups and User Committees that form the grassroots groups responsible for the Programme and that are also the Programme's main beneficiaries. The User Groups identify micro projects and submit project proposals to the VDC. The User Committees are comprised of representatives from the User Groups and are responsible for such things as the payment of wages, preparation of progress reports and logistical issues such as maintaining the security of equipment. These formalised groups at the local level allow the Programme to target specific groups, for example, the User Committee must comprise 50 percent women (*ibid*).

In the construction of the roads, User Groups are paid as a group based on the length of the completed section of road. This allows significant flexibility of employment as people with other responsibilities (such as women with small children) can participate within a user group for reduced hours and the Group can adjust the payment accordingly.

The payment method is predominantly rice. In some more integrated areas there is a mixture of payment in food and cash, but in the more remote areas rice continues to be the sole mode of payment.

4.4 Summary

The remote rural area of the Karnali Zone in Nepal provides a sound geographical setting to undertake the analysis of a workfare program for the purposes of this thesis. Nepal has very serious developmental challenges, but the challenges in the Karnali Zone are amplified by the geographical constraints. Poverty in the Karnali Zone is not uniform but there is a greater homogeneity to the poverty, as indicated by the number of malnourished children, then elsewhere in the country. The RCIW Programme is targeted to the most food insecure households that, in this environment, are very likely to be chronically poor. The extent to which the RCIW Programme is able to address the pressing needs of the local population, and hence how social protection is able to address chronic poverty in remote rural areas, is the subject of the next chapter.

CHAPTER 5

Results of Case Study Analysis

The case study work was predominantly carried out in the remote Mugu District of the Karnali Zone. The RCIW Programme operates in all five Karnali districts directly and includes approximately 20 percent of the households in these districts (WFP, 2006c). The Programme began in 1996 but only started in the Karnali region in 2001 after WFP Vulnerability Analysis and Mapping was undertaken and the food insecurity of this region was determined to be severe enough to warrant RCIW Programme intervention (WFP, 2005b). The Mugu District was chosen for this thesis's analysis because it is extremely food insecure, remote and mountainous, and the Programme includes a relatively high proportion of the District's population at 43 percent, compared to other Karnali districts such as Jumla at 13 percent (WFP, 2006c).

Semi-structured interviews were conducted with participating households and Programme managers (in October and November 2006), details of which will be described below, to assess their perception of the scheme. The three key goals of the interviews were: 1) to assess the proportion of the participating households that were in chronic poverty; 2) to determine *what* workfare programs can realistically be expected to do for the chronically poor; and 3) to determine *how* workfare is able to address chronic poverty in such remote environments.

As mentioned previously, this analysis was not meant to be a review of the RCIW Programme. It is not a Programme evaluation. Most development activities have some sort of design and implementation problems, and detailing these in great length would not add to the analysis for the purposes of this thesis. The main aim was to gather the experiences of the beneficiaries and the views of the Programme managers in order to

assess the capacity of the Programme to address chronic poverty effectively, even if the capacity is currently unrealised.

5.1 RCIW in Mugu District and the Impacted Population

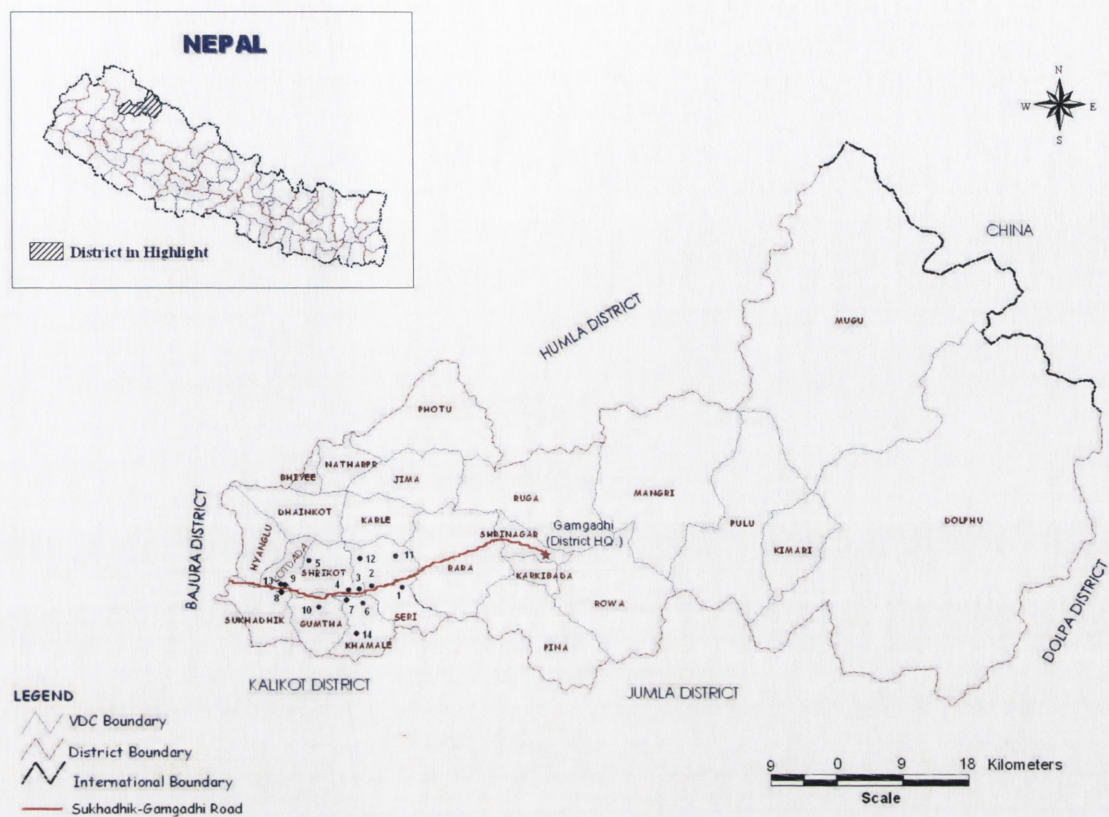
5.1.1 The Programme in Mugu District

In Mugu District, the Programme directly includes members from 3,533 households out of a district total of 8,261 households. Seven of the 24 VDCs in Mugu are involved in the Programme (WFP, 2006c). The aim of the Programme, as in other districts, is to provide 70 days of work to each participant, who earns a base rate of four kilograms of rice per day.

As can be seen in Map 3, the road under construction in Mugu District goes from Sukhadhik VDC to Gamgadhi, the district headquarters. The road will be 45 kilometres long when completed. At the moment it is only up to two metres wide but, as per the “green roads” concept, it can be made a fully motorable road. From Sukhdhik VDC there is not yet a link to another major road nearby. The Sukhadhik road leads to a suspension bridge which crosses the Karnali river and then proceeds to a major trail which connects to roads in Accham District and Dailekh Districts in the South.

To fit within the major harvest and plantation periods, the work is offered in Mugu District between the November/December and March/April period. Despite the aim of the Programme to offer 70 days work, participants in the District have access to only one to two months work on the Programme. All participants are paid in rice.

Map 3 – The RCIW Programme in Mugu District



Source: Adapted from Topographic Map; 1992/96, Department of Survey, GoNepal

Table 2 lists the locations in which interviews were conducted with both RCIW participants and people who would have liked to participate but were excluded from the Programme. The map references correspond to Map 3.

Table 2 – Respondent Locations

Map Reference	Village	VDC
1	Dadupata	Seri
2	Satbada	Seri
3	Toli	Srikot
4	Roll	Srikot
5	Kharka	Srikot
6	Kawa	Khamale
7	Rikhiyan	Khamale
8	Ratanani	Kotdada
9	Luien	Kotdada
10	Gamtha	Gamtha
11	Jumpa	Seri
12	Jamoo	Seri
13	Luien	Kotdada
14	Lahmer	Khamale

Given the depth of poverty and food insecurity in Mugu District, and the route of the road only allowing less than half of the households in the District to participate in the RCIW Programme, WFP introduced a scheme called Protecting Livelihoods in Crisis (PLIC) as a sub-component to the Programme in 2005. Eight non-RCIW districts in Mugu have access to PLIC, which focuses on the construction of small-scale infrastructure (such as irrigation), community assets or income generating activities for payment in rice. PLIC was initially conceptualised as a response to enhanced suffering as a result of the conflict. Even in the absence of conflict, it is intended that PLIC will continue for at least the next year given that chronic hunger in the target VDCs still exists. After this time it is likely that PLIC will be transferred to the NGOs currently responsible for its implementation.

5.1.2 Data Collection

The participant household data was gathered from 14 villages within five VDCs (of the seven participating VDCs) in Mugu District and from key donor and government stakeholders in Kathmandu such as German Technical Cooperation (GTZ), World Food Programme (WFP), Department for International Development (DfID), the Nepal Ministry for Local Development and the District Roads Support Programme (a program linked to RCIW funded by the Swiss Agency for Development and Cooperation). There

was also extensive consultation with Netherlands Development Organisation (SNV), the technical assistance provider for Mugu District, based in Nepalgunj.

A research assistant gathered the data in Mugu District using a questionnaire designed by the author. The individual responses for the interviewed participants and non-participants were tabulated for each question in a format created by the author to allow for ease of data analysis and comparison of individual respondent answers across different questions. All Programme manager interviews were undertaken by the author, primarily in Kathmandu.

In Mugu District, 55 project participants were interviewed in the villages that are clustered along the RCIW Gamgadhi – Sukhadhik road construction project. People were interviewed during their work breaks. As illustrated in Map 3, the road runs through the southern part of the district, which is mountainous but is generally at a lower elevation than the northern part of the District and is more densely populated. The 14 villages in which interviews were conducted are extremely remote. They are two days' walk from the nearest airstrip and at least four days walk from the nearest motorable road.

A cross-section of people were interviewed from different castes, age and gender groups. The initial plan was to interview people from non-participant households who lived in the Programme area but who chose not to, or were unable to, participate in the Programme. Non-participants were located and 20 interviewed but all had someone in their household participating in the Programme. The participant and non-participant interviews thus captured information on 75 participating households.

Where possible, the questions posed to all respondents were designed to compare the situation before RCIW began in the District to the situation after Programme implementation in order to assess the effect RCIW has had, particularly on the chronically poor households. Before seeking answers on the respondents' experiences of the RCIW Programme, questions to determine relevant personal details were posed

concerning such things as: age; caste; household composition; schooling; children's schooling; access to basic services; and assets (especially land ownership).

In seeking data on the poverty status of the respondents, questions were asked related to the number of months the households were food secure and whether they experienced what are known locally as "hungry seasons" every year or just in some years. Those who experienced "hungry seasons" every year were deemed to be chronically poor.

In addition to assessing the chronic poverty status of the participants, the other key goals of the fieldwork were to determine: 1) *what* workfare programs can do for the chronically poor in remote rural areas and 2) *how* workfare can address chronic poverty in these environments; that is, how suitable workfare is for this task. The answers to these questions were sought with reference to the conclusions drawn at the end of Chapter 3 which hypothesised why workfare programs had the potential to be an appropriate social protection mechanism to address chronic poverty in remote rural areas. In line with these conclusions, in answering the "*What*", questions were posed in relation to the Programme's ability to provide income, assets and insurance. For the "*How*", the focus was on questions related to the Programme's use of labour, the self-targeting nature of the Programme, the potential for higher wages, the appropriate method and type of payment, accompanying strategies and empowerment.

The full questionnaire for both the participants and non-participants of RCIW is at Appendix 1.

5.1.3 Participant Characteristics

Of the interviewed Programme participants, 31 percent were female, 29 percent classed themselves as lower caste and the rest classed themselves as higher caste. They ranged in age from 18 to 60 with an average age of 38. The average household size was over seven with just under four people per household economically active. No household members aged over 60 in the sampled households were found to be economically active.

All of the interviews in Mugu District were with people from two castes; either the high caste Chetri or the low caste Bishwokarma. The key assets of all households, regardless of caste, are land and livestock. Livestock are integral for ploughing and for manure. In many cases they are also utilised to transport goods. Due to a lack of other employment options, the depth of poverty very much depends on the amount of land the households hold and the productivity of that land. The respondents identified this as being the key determinant of wealth in the region.

The health and sanitation facilities to which the local population has access are poor. There is one sub health post in Seri VDC that serves the people in this VDC and one health post in Kotdada VDC for the other surveyed VDCs. These facilities are not well staffed and the respondents complained that the health personnel are often absent. Their main health problems were illnesses such as dysentery, cholera, diarrhoea and pneumonia. Communal drinking water facilities exist in each of the surveyed villages and are shared between seven to ten houses. The sanitation conditions are extremely poor. No household or communal toilets exist in any of the surveyed villages.

Education among girls is accorded less importance than boys' education. Due to early marriage which results in the girl moving to her husband's household, parents sometimes decide that educating their daughters will be a waste of time as the benefits will not accrue to their household, unlike male children, who are expected to assist their parents over their lifetimes. Girls over ten are often used to take care of their younger siblings and assist with household duties.

While the dropout rate for girls is higher than that for boys, in light of the data in the previous chapter on the low schooling years for adults, especially for females, it was expected that many of the school-aged children of the participating households would not be in school. However, the collected data did not reflect this to the extent expected. Thirteen percent of Chetri children and 15 percent of Bishwokarma children of school age were out of school. Almost all of the school-aged children not attending school were female.

The education statistics were better than expected for children but for the adult respondents they were in line with the District average. The average years of schooling for the interviewed adults was 1.7 years.

5.2 Chronic Poverty Among Participant Households

5.2.1 The Hungry Seasons

Given the absence of appropriate time series panel data, a proxy for chronic poverty must be used. The definition of chronic poverty for the purposes of this thesis is those households that are food insecure and experience “hungry seasons” every year. This proxy was chosen because it gives an insight into the duration of poverty. Hungry seasons refer to periods where households do not have access to enough food to meet their needs resulting in them having to resort to coping strategies. The assumption was not that hunger causes chronic poverty. It may be a contributing cause but it is also a consequence of chronic poverty. Given the data limitations in the region, it is the most appropriate available proxy for chronic poverty.

Both RCIW participants and non-participants were asked if they experience hungry seasons, and, if so, whether they experience hungry seasons every year or just in some years. Over 85 percent of the respondents replied that they experience hungry seasons every year and so, for this analysis, can be classified as chronically poor. Ten percent experience hungry seasons some years and only five percent of the respondents do not experience them at all. All of the chronically poor may also be severely poor; that is, living on less than US \$2 a day, but this was not a focus of the analysis.

The plantation and harvest periods are detailed in Tables 2 and 3 for each of the seven VDCs in which RCIW operates in Mugu. It must be noted that the hungry seasons do not correspond to the times people are not working. People are busy harvesting and planting during the normal hungry seasons. Thus RCIW does not need to match the hungry

seasons but the times between the harvesting and plantation when people have the capacity to undertake work.

Table 3 – Plantation Times

Time of Plantation of Food Crops							
Food Crops	Seri VDC	Srikot VDC	Khamale VDC	Gamtha VDC	Kotdanda VDC	Sukhadhik VDC	Hyanglu VDC
Paddy	June	June	June	June/July	June/July	June/July	July/August
Wheat	Oct/Nov (Low altitude) Sep (high altitude)	Oct/Nov (Low altitude) Sep (high altitude)	Oct/Nov (Low altitude) Sep (high altitude)	Oct/Nov (Low altitude) Sep (high altitude)	Oct/Nov (Low altitude) Sep (high altitude)	Oct/Nov (Low altitude) Sep (high altitude)	Oct/Nov (Low altitude) Sep (high altitude)
Maize	April	April	April	May	May	May	May
Millet	March	March	March	March	March	March	March
Potato	March	March	March	March	March	March	March

Table 4 – Harvest Times

Time of Harvest of Food Crops							
Food Crops	Seri VDC	Srikot VDC	Khamale VDC	Gamtha VDC	Kotdanda VDC	Sukhadhik VDC	Hyanglu VDC
Paddy	October	October	October	October	October	Oct/Nov	Oct/Nov
Wheat	May/June	May/June	May/June	May/June	May/June	May/June	May/June
Maize	September	September	September	September	September	September	September
Millet	October	October	October	October	October	October	October
Potato	September	September	September	September	September	September	September

Table 5 – Hungry Seasons

Hungry Seasons for All Seven VDCs	
1 st Hungry season	April and May
2 nd Hungry Season	July and Aug

Source: Participant and Programme manager interviews

Every interviewed RCIW participant said that the Programme was operating when they needed it; that is, when they were not otherwise engaged with planting or harvesting duties. They also all indicated that it operated as both a safety net and ladder in terms of protecting their existing livelihoods and providing improvements. However, because people would like 100 days work but they are only getting access to 10 to 45 days work through the Programme, the protection function was emphasised more than the livelihood promotion capability of the Programme. This does not diminish the promotion capability of RCIW, or workfare programmes in general; it just highlights the limitations of the current Programme. If the required number of days work was met, it is likely that the Programme would be viewed by the participants as a significant livelihood enhancement measure. For example, in Rolpa District where the Programme is able to provide 100 days labour, people are able to cease migrating for work, cover their consumptive needs and invest in assets (Dietz, 2006).

The link between food security and land holding has been mentioned, and Table 6 provides a breakdown of the respondents’ holdings, but it is worth highlighting the small differences in land size that can determine whether a household experiences hungry seasons or not. Those households that are not chronically poor and do not experience food insecurity in any year have access to an average of 1 hectare of land. Those who experience hungry seasons occasionally have an average of 0.85 hectares of land and the chronically poor, who experience hungry seasons every year, have an average of 0.46 hectares.

Table 6 – Land Holdings of All Respondents

Land Holdings	Number of Respondents
Less than or equal to 0.1 hectares	6
Less than or equal to 0.4 hectares	24
Less than or equal to 0.6 hectares	23
Less than or equal to 0.8 hectares	13
Less than or equal to 1 hectare	6
Greater than 1 hectare	3

Source: Participant interviews

5.2.2 Characteristics of the Chronically Poor Respondents

The general characteristics of the chronically poor as described in Chapter 2 are exhibited among the chronically poor respondents in Mugu District. Household size is generally high (7.6 persons), education is low (1.7 years), and there is little access to off-farm employment opportunities.

There is some mobility among the chronically poor population, but the moves are not permanent and exhibit characteristics of what Rogaly (2003) termed the “struggle to stay put”. It was the stated aim of most households not to have to work in other districts or in India. Indeed, one of the key stated positives of the RCIW scheme was that it had reduced the need to travel to work elsewhere. Working elsewhere was not the most common coping strategy among the respondents in difficult periods, which supports Kothari’s (2002) argument that it is often only the relatively well off who have the necessary capitals (including social, economic and human capitals) to take advantage of migration of a coping strategy. This strategy is not always open to the chronically poor.

Perhaps the key characteristic determining chronic poverty mentioned in Chapter 2 of relevance to the population in focus in Mugu District is that of geographic location. It is a remote, inaccessible location that precludes the chronically poor respondents from pursuing a variety of livelihood strategies. Great faith was placed in the road by the respondents as being able to address their isolation and provide access to economic opportunities and basic services that would improve their well being. Data limitations precluded an in depth analysis of the correlates of exit from poverty, as was undertaken in the Baulch and McCulloch (2002) study in Pakistan but, from the qualitative data gathered, isolation through geographical constraints was articulated as being the most important factor keeping people in poverty and preventing exit.

Table 7 – Schooling of Chronically Poor Respondents

	AverageYears
Chetri	2.12
Bishwokarma	0.55
Male Chetri	3.11
Male Bishwokarma	0.75
Female Chetri	0.00
Female Bishwokarma	0.00

Source: Participant interviews

Compounding the above chronic poverty characteristics are layers of constraints such as gender and caste based discrimination which make exiting chronic poverty more difficult. Only one Bishwokarma respondent did not experience chronic poverty. As shown in Table 7, the interviewed Bishworkarma caste members have an average of 0.55 years of education compared to 2.12 years among the Chetri caste. Only 10 percent of the Bishwokarma respondents had any education at all compared to 30 percent of Chetris. They have less land, 0.35 hectares compared to the Chetri’s 0.57 hectares. The correlation between land holding and food security of the Bishwokarmas was considerably higher, at 0.93, than the Chetris, at 0.79, perhaps reflecting the lack of access to other livelihood strategies for the lower castes.

Gender discrimination in Mugu District manifests itself in a number of ways, including having to bear a disproportionate burden of unpaid labour to maintain the household. This is on top of the paid work also undertaken by women; at 85 percent, Mugu District has the highest rate of economic activity by women of any district in Nepal (ICIMOD, 2003b). A striking example of the extra constraints on the interviewed women is the data on their access to education. Of the women interviewed, both the participants of the RCIW Programme and the non-participants, not one woman of either caste had undertaken any schooling.

5.3 What can Workfare do for the Chronically Poor?

5.3.1 Provision of Income

Perhaps the most obvious benefit of workfare schemes for the chronically poor is the provision of income. While it has been recognised that poverty is a multidimensional concept, and the reason for people remaining in a situation of chronic poverty could be due to many factors besides income, that does not discount the importance of income. The condition of chronic poverty is not only a function of a lack of income, but it is an important factor that is keeping people poor. As well as dealing with their other constraints such as geographical location, caste, ethnicity and gender, the chronically poor need to be able to provide for their basic needs such as food and shelter, and for that they need income. The participants were asked about how they expend their project earnings.

The chronically poor respondents gain the bulk of their income from agriculture and from their coping strategies in the hungry seasons which typically take the form of gathering wild produce to sell to people in the towns and cities or temporarily migrating for day labour work.

The income the RCIW participants receive from the Programme is in the form of rice. All of the chronically poor households use the rice for food. The less poor households all sell some of the rice to pay for schooling and other expenses. While the chronically poor participants do not sell the rice, 23 percent of the chronically poor respondents reported that the rice income does allow them to sell some of their other crops, such as maize and millet, for cash which is then used for schooling and other livelihood activities. Rice is viewed as a prestige product and all households would prefer to consume the RCIW rice payment if they do not have enough of their own produced rice to last the whole year.

Due to the difficulties caused by the conflict and the Programme's resource constraints, the Programme has not been functioning to its full capacity, and the income households are receiving is less than it would otherwise be. The food provision, at about 100-150

kilograms per household annually, representing up to two months of food per household of six members, has made some of the households that had food deficits for only one to two months completely food secure. Due to the depth of the food insecurity suffered by most chronically poor households, only one such interviewed household has been made food secure as a result of the Programme but, with additional days of employment or higher wages, the rest of the chronically poor could also be lifted to a situation of food security.

As stated above, for a quarter of the households the food income received through the Programme is contributing to enhancing their welfare and their livelihoods by allowing them to obtain some cash income through selling their other crops. This is an important achievement of RCIW. The contribution of the income to addressing chronic poverty should not be downplayed for the other chronically poor households who mostly consume the food, as food security is an important end in itself which allows households to pursue other strategies to improve their well-being. As described in Chapter 2, the nutrition improvements for individuals, allowing them to work to their capacity, can do more for economic growth than is normally given credit.

5.3.2 Provision of Assets

The accumulation of assets, both private and community assets, is recognised as one of the most important ways to address chronic poverty. The main assets of the interviewed chronically poor households are land and livestock. The amount of land and its productivity is a key determinant of poverty status in the RCIW Programme operating area. The participants were questioned about the (potential) usefulness of the assets and whether they agree with the choice of assets being constructed.

The key asset being created by the RCIW Programme in Mugu District VDCs where the interviews were undertaken is the Sukhadhik-Gamgadhi road. Other community assets such as apple orchards and drinking water facilities within schools have also been created. The usefulness of these types of assets is typically discounted in assessments of this type of social protection mechanism as workfare programs are normally seen as ways

to ensure food security rather than an effective way to provide assets which could contribute to future food security and poverty reduction. All of the projects are in their infancy, but the respondents are all extremely supportive of the chosen assets and are firmly convinced that the benefits of the Programme extend well beyond the immediate benefit of the rice payment.

The Programme participants select the micro projects but the selection of the road is much less consultative. The route and location is selected by the government with reference to the centres of population and the Programme participants do not have any input into the selection of the core projects. Because of this, it could be assumed that some participants would like other assets if they had greater decision making power. However, when questioned about this, every participant agreed with the choice of the road as the core project. They see it as the necessary first step to bring about development in their region. If the road is built they see the possibility of other infrastructure following such as improved water supply, sanitation and better schooling facilities. They are also looking forward to cheaper goods due to the significant reduction in transportation costs that the road would facilitate. The chronically poor have identified the road as being the key asset required to address the geographical constraint which they see as being the most instrumental in keeping them poor.

Even though the road is not yet completed and not yet motorable, it has already begun to significantly assist the local population. The communities' isolation has already been reduced to a certain extent. Twenty-eight kilometres of the road is at a width of two metres and it facilitates walking to other villages, to the district headquarters and to other districts.

The labour intensive nature of the creation of the assets within workfare programs has been the subject of some criticism, especially regarding the equity–efficiency trade off; that is, the need for labour intensive methods at the price of substandard assets. In a region such as the seven RCIW Programme participating VDCs, this criticism is theoretically sound as there have been some quality concerns with the road, but given the

isolation of this region and the sheer impossibility of transporting heavy machinery to the region, the criticism loses its validity. While the respondents had some concerns with the quality of the road, mainly in the area of maintenance, they were generally satisfied that it would be able to serve the desired purpose. In light of the significant development needs across Nepal and the constraints on its development budget, in these environments, the realistic choice is between assets that are not perfectly constructed and no assets at all. It is also worth noting that the cost of roads created under the RCIW Programme have been estimated to be similar to commercial construction methods (Dietz, 2006) which would not come with the income transfer benefit to the local population.

The argument referred to in Chapter 3 against the creation of assets through workfare programs because they use up scarce development funds is similarly invalid in Mugu District and the Karnali region more broadly. This argument focuses on the income provided rather than the assets created. Basic infrastructure is necessary for economies to function and is a necessary public good provided as standard in areas with less difficult terrain. Addressing the geographical constraint of isolation through the construction of a road has the potential to provide the resident households with a significantly better quality of life and thus represents a good use of development funds. It is the overwhelming stated priority need of the surveyed participants.

Finally, unlike MEGS in India, the assets being created by the RCIW Programme, at least in the remote rural areas like Mugu District, are not primarily benefiting the wealthy. This is mainly due to the spatial concentration of chronic poverty in Mugu. Even though the road is a public good, there are so few wealthy people in the region that all of the assets, by default, have to benefit the target population, the majority of whom are chronically poor.

5.3.3 Provision of Insurance

Workfare programs have the potential to provide significant benefits to the target population through the insurance function they offer. Providing the certainty of income during difficult periods can change the nature of coping strategies and have an impact on

livelihoods outside of the difficult periods simply because of the knowledge of the existence of the guaranteed income during hard times. The participants were asked about the effectiveness of the Programme in providing an insurance function, in terms of stopping conditions deteriorating, during difficult periods. They were also asked about what they did during difficult periods before and after the implementation of the Programme. Finally, they were questioned about the extent to which the Programme impacted on their life at other times of the year (to when it was operating).

The insurance aspect of the Programme was viewed positively by the survey respondents; it had reduced their vulnerability to a certain extent, but its effectiveness was limited by the days of work offered, which were well below the majority of the respondents' requirements.

The main coping strategies of the interviewed RCIW participants involved seasonal migration, gathering wild mushrooms, herbs, fruit, medicinal plants and sometimes wild honey. Because of the limited work available through the RCIW Programme, which does not cover the annual food deficit for all households, difficult periods remain. It was reported that the gathering of wild products remains a key coping strategy in these difficult periods, but the need for seasonal migration had been somewhat controlled since the RCIW Programme began. Respondents stated that there were two normal periods of temporary migration each year and RCIW had controlled one. Also, the normal period of migration was shortened.

During especially difficult periods, such as the 2006 drought in Western Nepal, the coping strategies do not differ greatly to those in the normal annual difficult periods. The respondents are typically unwilling to sell their livestock even during the most serious of times as there are no wealthy people in the district; the extent of chronic poverty in the region effectively limits their coping strategies. To sell the livestock they would have to walk four to five days and, knowing of the desperation of the seller, the prices received are low. A more common coping strategy involving livestock that was mentioned by five Chetri households of Satbada village in Seri VDC was the grouping together of

households in difficult periods and using their livestock as food on a rotation basis. This was seen to be a much better use of the resource than selling it given the effort to get it to the market and low price received once there. This is a good example of the use of social capital, but it remains a poor-to-poor transfer so is not necessarily robust in the face of large shocks.

Because of the physical location of the target population, the irreversible coping strategies, such as selling important assets like livestock, are not occurring. However, there has been a depletion in some of the wild products, and with increasing population pressures this can not remain a viable coping strategy for all. With access to more work, as the Programme increases the days' work available to households, the need for this non-sustainable coping strategy will decline (and it may become sustainable for a reduced number of households). The argument discussed in Chapter 2, that social protection mechanisms have the potential to crowd out traditional coping mechanisms that were working effectively, is thus not applicable in Mugu District. Indeed, in Mugu District, the traditional coping strategy of trading with Tibet was dismantled long before the RCIW Programme commenced and the other key coping strategies are mostly unsustainable (gathering wild products) or unpopular (seasonal migration).

In terms of the RCIW Programme's ability to impact on livelihoods just because of its existence as an insurance mechanism, there was no evidence found that people were pursuing more risky, and potentially more profitable, livelihood strategies because of the knowledge of this safety net. However, because of its existence, and the guaranteed income it provides, it has allowed for more of the economically active members of the household to remain at home for longer periods of time which has had implications on such things as children's school attendance. There are no conditions imposed on participants that their children must go to school, however, teachers have reported that the regularity of children attending school has improved since the commencement of RCIW. Drop-out rates have also fallen. Teachers have asserted that this is due the fact that parents are more likely to be at home providing a consistency of care for a greater period of time rather than away pursuing various coping strategies. The insurance

function that RCIW offers, the guarantee of work for households, is thus having positive impact on one of the constraints that keep people poor and, therefore, reducing the potential for the intergenerational transmission of poverty.

5.4 How can Workfare address Chronic Poverty?

5.4.1 Use of Available Labour

The analysis of labour in terms of how the RCIW Programme is able to address chronic poverty in Mugu District focused on what else the participants would have been doing with their time and how significant the work element was as opposed to just the transfer. If the participants were being diverted from reasonably productive pursuits then the opportunity cost would be high and the transfer benefit low. In an isolated region such as that through which the Sukhadhik-Gamgadhi road passes, outside of agriculture there are few income earning opportunities. The population's normal coping strategies have their own costs, such as being away from home, travel costs and living expenses while away.

The participants were asked about their coping strategies in the absence of RCIW; that is, what they did before the Programme began. They were questioned about their earnings and whether they were comparable to the income they receive through the Programme. Given they are expressing a preference for the Programme by no longer pursuing their previous coping strategies during the Programme operation period, the participants were asked about the reasons for this preference.

Work under the RCIW Programme is only offered during harvest and plantation times so there is no opportunity cost related to the normal production activities undertaken by the households. Agricultural production is not negatively impacted at all by RCIW. The focus is thus on the coping strategies and how the income received from these strategies compares to that offered by RCIW.

If RCIW did not exist, most of the respondents reported that they would have just increased the coping strategies that they use now during difficult periods. All participants who used to gather wild produce reported that they earned less than they do under RCIW. The travel and search costs associated with gathering this produce eroded their income from this source. For these participants it is assessed that, while the labour is not idle, the opportunity cost of their RCIW participation is relatively low.

The 12 percent of chronically poor participants who used to migrate to India for work during the time that they now work on RCIW all earned more by migrating than by working on RCIW. The overwhelming reason for the RCIW participants preferring to work on the Programme rather than pursuing the higher income associated with of temporary migration was given as being able to stay with their families. For these participants the opportunity cost would appear to be high and the transfer benefit low given that RCIW is effectively displacing more productive pursuits, but this must be viewed with regard to the other potential benefits of staying with family. There is evidence that education of children improves with parental presence and there is also the potential for health and other social benefits to the children from this presence. Because it is often the male who migrates, there is an increased work burden on women and potential reduced attention to existing production. The emotional health of the participant must also be taken into consideration in terms of them being able to pursue a livelihood strategy that maximises their well being even if, economically, it would appear to damage their well-being. The preference for working on the Programme over migration well illustrates that people are willing to pay a certain price in their struggle to stay put and it highlights the true costs of some coping strategies.

In terms of the issue raised in Chapter 3 related to the significance of the *work* that the labour force is involved in as distinct from the *payment*, it is true that the transfer benefit alone of the RCIW Programme would have the potential to improve the food security situation of the household, whether in the form of direct handouts or subsidised food. It would allow the participants to pursue other strategies in the time they would have been working on RCIW that would further improve their income. A guaranteed nutrition

program, for example, could also ensure that the transfers were not just used to access better tasting food rather than more nutritious food. However, what would be missing is the construction of the assets which have been assessed by the participants as being key to their future welfare and their current absence as being a key constraint preventing them from exiting chronic poverty. Just providing the transfer benefit in this isolated environment is unlikely to improve productive opportunities in the region. The work aspect of the Programme, the use of labour, is thus a significant part in the success of this social protection mechanism.

5.4.2 Targeting

The self-targeting feature of workfare programs was, as expected, difficult to assess in Mugu District. It is a feature of self-targeting mechanisms that they are able to include the poor and exclude the non-poor without resorting to costly administrative procedures. However, in Mugu District which is assessed to be the poorest district in Nepal (UNDP, 2004b) nearly all residents are poor; only the degree and type of poverty differs. The participants were asked to give their assessment of the targeting of the scheme in terms of whether everyone could work who wanted to and whether anyone was accessing the Programme who, in their view, should not have access.

For the purposes of this thesis the focus is the chronically poor participants of RCIW, but most of the other participants also occasionally experience hungry seasons, and even the few who do not are willing to undertake the low paid, physically demanding labour offered by the RCIW Programme indicating that they are not wealthy. The average land holding (the key determinant of wealth in the region) of the participants who do not experience hungry seasons is only one hectare; less than 0.2 hectares more than those who occasionally experience hungry seasons. However, given that they are food secure, the participation of these households could be described as an inclusion error and will be discussed further below in the section on the method of payment.

While not uniform, the pervasiveness of poverty among the respondents, and indeed the impossibility of finding a household in the villages visited which did not have a

household member participating in the Programme, rendered it difficult to make any detailed assessment on inclusion or exclusion errors. The data shows that some less poor households were participating in the scheme, but the other participants were questioned about this and none viewed the less poor households as less deserving of participating, perhaps indicating that these households are still viewed as poor. The errors of exclusion which Devereux (2002b) sees as much more important than the inclusion errors have been effectively dealt with by the Programme at the household level, but due to the limited resources of the Programme in most cases participation has been capped at one person per household. This effectively excludes many people who would like to work and erodes the self-targeting benefit of the Programme. Of the 20 non-participants interviewed, the key reason for them not participating in the Programme was that they were not given the opportunity. If they were allowed to participate in the Programme every one of them would.

There is a small degree of flexibility in the Programme which decreases the exclusion errors: a policy which allows two people from the poorest households to participate in the Programme. The User Committees identify these households that are most in need. Those households interviewed that have two participants were found to be the most food insecure, with only one month's food security coverage on average and ownership of 0.1 hectares of land per household. Among other poor households who are not assessed to be the poorest, there appears to be little disgruntlement about this concession.

The issue of including too many people when the Programme resources have stayed the same has been assessed to be a problem in a recent WFP review (WFP, 2005b). It has resulted in less food per household, but in the Mugu field work the inclusion of more people in the Programme was not found to have had the same effect. Occasionally, due to construction delays that require, for example, 40 days of work to be completed in 20 days, households are allowed to bring in an additional member. This means that rice per person declines, but rice per household remains the same. The increased participation in Mugu District therefore has not necessarily had as detrimental an effect on household food security as it has in other areas.

5.4.3 Wage Levels and Method of Payment

The issues of how people are paid and how much they are paid can have significant impacts on how workfare programs are able to address chronic poverty. The RCIW Programme has been paying based on the amount of work completed, and payments in Mugu District have only been made in rice based on a level set below the market rate, a standard practice of workfare programs. The appropriateness of this payment system to address the chronic conditions faced by the Programme participants formed a key part of the analysis in the participating areas. Participants were asked about how they would like to be paid and whether the existence of the Programme had influenced wages outside the Programme.

People are not paid based on the time they put in but rather on the work completed. All of the participants confirmed this as the preferred method of payment. It provides the desired flexibility and there is no wish to move to a daily rate for individuals. The payment is made to the work group based on distance completed but also factors in the nature of the soil or rock. The responsibility for allocating work rests with the group leader, who is in charge of 25-30 people focusing on one allocated piece of work. The leader can permit one family member to work in the morning and one to work in the afternoon. The working arrangement can be so flexible that, if absent, the next day the worker can bring along a family member to adjust for the missed day's work. This flexibility facilitates women's participation.

The aim of the Programme is to provide a base rate of four kilograms of rice per day. The participants view approximately 80 kilograms of rice as being sufficient for a family of six for one month, but in other areas it has been reported that one month of RCIW work will provide food security for an average family for two months. The interviewed participating households reported receiving 100-150 kilograms of rice per year.

The four kilograms of rice per day represents about 80 percent of the market wage for comparable work undertaken in more integrated areas, but because the rice is, in most

cases, delivered close to the villages and is seen as being a prestige product, its real value is higher than the cash equivalent of the rice at the purchase point. Thus, the geographical constraints that the target population face in effect increase the value of the transfer.

Further, because of the way payments are calculated and due to the amount of work the participants put in, the average RCIW recipient receives about six kilograms of rice per day. There are even reports of people earning up to 10 kilograms per day. These higher wage levels are positive with respect to the Programme's ability to address chronic poverty, but the reduced number of days' work to which the Programme participants in Mugu District have access offsets the benefit.

Programme participants reported that wages outside the Programme were not influenced in any way by RCIW. They believe that this is due to the fact that the Programme only operates in agricultural slack periods when there is no competition for labour.

In discussions with Programme managers about the ability to pay more to enhance food security and have a greater impact on poverty, there was some support for a revision in the wage rate, especially if the increase took the form of a less prestigious product like maize. This leads to the next section dealing with the appropriate type of payment.

5.4.4 Type of Payment

In Mugu District the Programme pays participants in rice. There is much debate in the literature about whether cash payments or food payments are more effective for this type of social protection mechanism. While this remains an important question that will be dealt with later in this section, the analysis of the Programme in Mugu District highlighted the fact that the issue is not as simple as food versus cash. The type of food in which payment is made can also be very important to the effectiveness of the workfare program. Participants were asked about the type of payment they prefer.

Rice is a highly desired commodity. As an indication of the preference for rice in Mugu District, four of the participant households interviewed were food secure for 12 months of the year yet still wished to participate in the Programme in order to access rice. Their

food security was gained through rice, millet, maize, wheat and potato, but they would prefer rice all year round if possible and hence were willing to undertake the hard physical labour required by the Programme in order to access the rice. All households would like to be able to consume rice but this preference, to some extent, distorts the Programme as food secure households still wish to access the Programme because of the type of food provided. There are so few food secure households in Mugu District that this has not been a great problem for the Programme to date, but if the Programme reaches its target coverage of 70 days per year, the participation of the food secure households will provide a greater drain on scarce resources.

A potential solution to the attractiveness of rice, which is drawing food secure households to the Programme, is to pay participants in maize. Maize is a poor person's food and paying people in maize instead of rice would enhance the targeting of the Programme. In Bangladesh, when a food for work program switched from rice to maize, participation in the program decreased significantly (Dietz, 2006). Payment in maize would also potentially allow the payment of higher wages. Food secure households would be less inclined to participate and the trade-off between wages and effectiveness detailed in Chapter 3 may be reduced. The cost of maize is 40-60 percent lower than rice (*ibid*, 2006) which could free resources facilitating the inclusion of more people in the Programme. Cost-benefit analysis would have to weigh these potential benefits of maize against the increased cost of transport and storage associated with maize. Also, maize does not last as long as rice and more maize is required to match the calorific value of rice.

In some of the more integrated areas in which the RCIW Programme operates, the Programme managers are starting to trial cash payments or a mixture of cash and food. In remote areas such as Mugu, however, payment continues in food and it is unlikely that cash payments will be made, at least in the near future. The interviewed Programme participants all preferred payment in food as opposed to cash because, due to the inefficiency of the market, food would otherwise be difficult to obtain.

The preference of the participants for food supports some analysis conducted by WFP (Dietz, 2006) on food versus cash payments for the RCIW Programme. The conclusion of the analysis was that where work offered in mountainous areas was less than 50 days, the provision of food is preferable. For work more than 50 days, a mixture of cash and food was recommended and it was highlighted that for the Karnali region in particular this could result in large savings given the administrative costs of procurement and transport of the food. A key finding was that when longer term employment is offered (50 days or more) the provision of cash, or a mixture of food and cash, will allow people to invest in productive assets as their other expenses will be covered (*ibid*). Given the depth of food insecurity in Mugu District it is unlikely that this would be the case for some of the chronically poor households who are food insecure for a significant part of the year, unless higher wages could be paid.

Perhaps the key disadvantage with regard to the provision of cash in the mountainous areas such as Mugu District is the cost related to the time and effort for households to buy the required food. Each household would have to send people for what are often very long and arduous journeys to the nearest road to buy the food, depriving the household of an economically active member for that period (*ibid*). Even within the RCIW Programme, this physical transport issue causes problems for some households. The rice is not always delivered to people's doorsteps. Under the Programme, "Rice for Portage" arrangements have been made for some of the remote districts like Jumla but the porters are very poorly paid (WFP, 2005b). The work is sometimes undertaken because it is thought to be the only way to get the rice to their homes.

There have been reports in other food for work programs that food is often more preferred by women as it is more likely to benefit the family than cash which can be used in ways which are not necessarily beneficial for the household (WFP, 2003). Perhaps because of the depth of the food insecurity and the small amount of work offered at this time, there was little evidence to suggest that the female participants were more biased towards using the income as food. The data did show, however, that of the 18 percent of participants who reported using some of their income gained under the Programme for

things other than food, school or livelihood enhancement, all were men. Every female participant used the income as food.

In summary, the respondents were not against receiving cash instead of food if the food was available to purchase. If the Programme continues after the completion of the road and goods are getting through to the district, this could be an option.

5.4.5 Accompanying Strategies

The productive micro projects and the complementary activities are playing an increasingly larger role in the RCIW programme. These accompanying strategies are extremely important for the chronically poor because, as highlighted by Dietz (2006; 28), “highly food insecure families who rely mainly on their labour as entitlement may benefit very little in terms of increased food security from new roads”. Road access can break down the constraint of isolation which has been confining economic development but, unless the population has the ability to make use of the road and the opportunities it brings, it may take a long time before the reduced isolation has any real impact on the population’s well being. The accompanying strategies could be conceptualised as improving the initial conditions of the chronically poor referred to in Chapter 2. The participants were questioned about their participation in micro projects and their assessment of the potential benefits of the projects. They were also asked about other types of activities in which they would like to participate.

At the time of data collection, the Programme was increasing the requirement for resources being utilised for accompanying strategies from 20 percent of the total Programme to 30 percent. Until this point, resources that were not utilised on the accompanying strategies could be used on the core project. This has now also changed and it is a requirement for the full 30 percent to be utilised on the accompanying strategies.

The main productive micro projects created so far in the surveyed area are apple orchards. The aim is to have productive orchards by the time the road is completed. All of

the interviewed RCIW participants also participated in the orchards' development. They are all hopeful that when the road is completed the apples can be transported to other regions providing them with some increased income.

A complementary activity that was undertaken in Gamtha village by the interviewed participants in that village was the construction of drinking water facilities at a local secondary school. This has obvious potential health benefits for the students. Because of the conflict, other complementary activities, such as the Participatory Learning Actions which focuses on literacy and numeracy have not yet commenced in Mugu District but will be commencing soon.

When questioned about what sort of productive micro projects or complementary activities the participants would like to have access to, the overwhelming answer from all respondents was that they would like to participate in any project that could enhance their future earning potential. Due to the isolation of the region, they have not had access to the many development activities that exist in other areas of the country. The recent Maoist conflict has compounded this problem, and RCIW is the only program that operates in the region. The types of livelihood activities they mentioned included things such as bee keeping, knitting and sewing, but they were completely open to any suggestions of how best they could improve their earnings potential.

There are currently no conditions on participation in the Programme that could help support the dismantling of other constraints that are keeping people in chronic poverty. Examples given in Chapter 3 referred to conditionality of participation on things such as sending children to school or attending classes on literacy or health and nutrition. The issue was discussed with Programme managers and it was seen as something that could be investigated in the next phase of the Programme. With the current state of the Programme in Mugu District - that is, the limited working days offered each year - the Programme does not have a great deal of bargaining power to enforce the conditions but, if it increases the work days available, there may be greater ability to introduce conditions.

There is no evidence yet that working on the Programme is seen by the participants as a right. But neither is there any evidence that not seeing it as a right is impacting on participation as it did in the MEGS scheme where people of higher castes were less likely to participate until access to work was accepted as a right. Every household is participating so there is no evidence of any stigma attached to working on the Programme. However, one of the key benefits of viewing work as a right comes with the acceptance of responsibilities associated with that right. It is likely that any potential conditionalities will be more successfully adhered to if working on the Programme is viewed as a basic right.

5.4.6 Empowerment

The issue of empowerment is an extremely important part of how the RCIW Programme is able to address chronic poverty in Mugu District. The definition of empowerment in this thesis is in line with the UNDP's definition; that is, "conditions necessary to enable the poor to take advantage of poverty-reduction opportunities by strengthening their socio-cultural, economic and political capabilities" (UNDP, 2004b; 2). The target population of the Programme has experienced extreme deprivation for as long as many of them can remember. This, combined with isolation, has removed the population from the development processes occurring in the rest of Nepal. In Chapter 2, resignation to poverty was discussed as being an important correlate to chronic poverty, manifesting itself in discouragement and risk aversion due to the belief that the poverty will endure no matter what action is taken (Aliber, 2001). Breaking the belief that poverty will endure, providing some hope that chronic conditions can be overcome and demonstrably providing the skills and assets for this to occur is key to combating chronic poverty.

The mere existence of the Programme in Mugu District in some ways has contributed to the empowerment of the local population. Just having access to a development program provides hope that conditions could improve. This, coupled with direct measures to increase the income and skills of the local population, is providing tremendous benefits in empowering the local population. The Programme has assisted with people being better

able to work as a group, to coordinate their work and develop a feeling of unity. Individuals have been taught to manage groups and to develop leadership skills. The Programme has actively developed the concept of unity, coordination, and cooperation. Along the Sukhadhik-Gamgadhi road, 162 participants have been trained to lead construction. This group of leaders includes 16 females and 26 of lower castes. For each micro project, there is a committee of seven to nine members who make the decisions; half of these are female.

The Programme's Participatory Learning and Action activities have not yet begun in Mugu District, but in other areas these activities have made significant gains in the area of empowerment. People are brought together for issues-based discussions on matters such as child health and nutrition or savings and credit. The basic literacy and numeracy training provided can facilitate access to a multitude of livelihood enhancing opportunities. This training gives the participants the confidence to undertake activities outside the bounds of the Programme. The savings and credit groups created are linked to cooperatives that then play the support role in their future development.

In other RCIW Programme districts it has been found that through participation in groups started by the Programme, the participants "are becoming more vocal and confident. They can better articulate their needs and priorities and demand information, extension services and resources from government and non-government service providers and local bodies. They are enabled to define their future development interventions themselves through solidarity, networking and linkage development (National Programme Support Unit, 2005; 15)".

5.4.7 Stability

The conflict in Nepal impacted on the functioning of the Programme to a certain extent but it was supported by the Maoists as they recognised that it was providing important benefits to the targeted population who had been ignored by the state for so long. Given that this was one of the root causes of the conflict - a conflict which in many cases formed another layer of constraint on the chronically poor through interrupting livelihood

strategies and schooling - RCIW's efforts to address this root cause must be seen as an extremely important part of demonstrably providing benefits to the most vulnerable households, and therefore supporting stability.

5.5 Key Limitations

5.5.1 Limitations – Programme Specific or a Function of Workfare?

The RCIW Programme has much to offer the chronically poor participants in Mugu District and elsewhere, but it has some definite limitations, some of which have been discussed briefly in the previous sections. It is useful to consider these limitations in order to assess what are Programme specific and what reflect the limitations of workfare more generally. The criterion used for assessing what is specific to the Programme is whether the Programme could be modified to address the limitation. Those limitations that are a function of workfare programs cannot be addressed by the Programme; their impact can be reduced through modifications to the Programme but the limitation will remain in some form.

5.5.2 Programme Specific Limitations

This is not an evaluation, so every shortcoming of the Programme was not considered. The limitations listed below came directly from interviews with the participants, the Programme managers and from recent Programme reviews. The key limitations which are assessed as being specific to the RCIW Programme rather than being limitations of workfare schemes are:

- 1) Low wages - Wages are set at a base rate of four kilograms of rice per household per day's work. The requirement to have low wages to allow the self-targeting aspect of workfare programs to function has been discussed earlier. There is a perceived trade-off in the literature between a well-functioning scheme that has low wages and effective poverty alleviation. It has been assessed that because of the piece-rate way in which the wages are being paid it is currently possible to earn at least the average

wage and more in some cases, but some still receive the below average wage. The use of maize could further increase wages paid.

- 2) Micro projects not linked well to core projects – The rationale for linking the micro projects to the core road projects is to provide the target community with the skills and livelihoods to effectively make use of the road on completion. The extent to which this is able to occur depends on things such as the assessments of the markets in which the goods will be sold and the potential income opportunities to be derived from the projects. One of the Programme managers interviewed expressed doubts about the ability of some of the micro projects to provide the promised benefits. The orchards, for example, could be profitable for a household but, shared by the community, may only provide minimal income in some cases.
- 3) Road selection sometimes politically driven – WFP's Vulnerability Analysis and Mapping, their key analytical tool to determine food insecurity, is not being utilised in the planning process of road selection. A WFP review of RCIW found that some roads are being selected randomly in areas where the district administration was not providing cash-based support and hence are politically motivated decisions (WFP, 2005b).
- 4) Self-targeting hindered by quota system, payment in rice and lack of alternatives for less poor households – The self-targeting feature of the RCIW Programme has been severely hindered by the limitation of work to, in most cases, one person per household. People are not able to maximise their welfare and improve their food security by making their own judgements about what would constitute the best use of their household labour resources to work on the Programme. The self-targeting function of the scheme is further eroded by the payment in rice combined with the lack of employment alternatives for less poor households. This has resulted in these less poor households participating in the Programme in order to obtain the desirable commodity of rice. Evidence from other workfare programs suggests that payment in a less desirable commodity will reduce the beneficiaries (WFP, 2003), and hence, improve the targeting of the Programme.

- 5) Rice distribution delayed – All of the interviewed participants stated that the work was available at the right time of the year, but some reported that the rice was not delivered when it should have been. WFP has done much to address the problems of the quality of rice and the timeliness of delivery but more needs to be done on the latter given the extreme nature of the food security situation in many of the areas in which the Programme operates.
- 6) Not enough resources to cover all of the participants who want work – Development programs are typically of a finite size; donors have annual budgets which cannot be exceeded. The demand for work in the target areas suggests that the RCIW Programme is underfunded. Responding to a call for workers in Mugu District, 7,000 people once turned up for work designated to be completed by 2,000 people, resulting in the extra 5,000 people having to be turned away. The reduced number of days' work offered has resulted in the participants emphasising the livelihood protection function of the Programme more than its livelihood promotion capability. The Programme can still operate underfunded to a certain extent, but the availability of resources constrains it from operating in a way that will best achieve the stated objectives of the Programme.
- 7) No analysis of needs of different areas/households – While WFP Vulnerability Analysis and Mapping has been used to select new RCIW Programme districts, there is little differentiation across the Programme in relation to the varying needs of different areas and the households within those areas. Programme targets are set in the same way, that is four kilograms per participant per day and 70 days of work. If the days of work target could be met or if the Programme was truly self-targeting this would not be such a limitation. The problem arises because of the resource constraint which has not only limited the number of people who are able to participate but also means that the Programme is not offering the planned 70 days of work. Different numbers of days work are offered in different areas, but this is generally not based on the assessed needs of the population. Having the same Programme targets in different

areas, regardless of the various levels of food insecurity, ignores the very real differences in the people's welfare.

- 8) Increased participation at cost of quality – A common response to delays in the Programme is to increase participation. If there are 40 days left of work to do but only 10 days left to do it in, extra labour is recruited. As mentioned earlier, this practice does not necessarily reduce the household's access to food in Mugu District, but there have been problems with regards to the assets being constructed. It has been reported that when too many people participate, supervisory structures are not adequate and asset quality can suffer.
- 9) Poor maintenance of roads – Programme managers acknowledge the difficulties with road maintenance and have found that adequate maintenance has only really occurred when the road is well used. In these cases transport operators and the local community have worked together to maintain the roads. Maintenance is the responsibility of the village and District authorities, but this role has generally not been fulfilled due to budget constraints. In Mugu District, participants reported uncleared landslides and collapsed walls. The issue of maintenance is becoming one of high importance to the Programme managers and greater pressure is being put on the government to fulfil its obligations.
- 10) Culture of dependency – One of the Programme managers mentioned a concern about a culture of dependency developing in some RCIW areas. People are becoming used to work which, in the absence of the Programme, would not be provided and the Programme manager viewed RCIW as keeping people in areas artificially. This may be the case in some RCIW operating districts but in the Karnali Zone, until the population has access to basic infrastructure and services - and thus has the ability to express its capabilities - no judgement can be made about whether the Programme is creating a culture of dependency. It is mentioned here because it could become a limitation of the Programme in the future.

While the above are limitations of the RCIW Programme, not of workfare programs in remote rural environments more generally, it is important that these limitations not be discounted as they do represent real shortcomings of the Programme as it is currently functioning. They have negatively impacted on the Programme's ability to have the greatest impact on its target population. The important point about these limitations is that they can be addressed through modifications to the Programme. Development programs are not static; they often have deficiencies that can be corrected, and it is hoped that in the next phase of RCIW, from 2008, many of the above issues will be addressed. It is recognised, however, that in a large, multi-stakeholder Programme such as RCIW some of these limitations will be extremely difficult to address.

5.5.2 Limitations of Workfare

The limitations of the Programme listed below have been assessed to reflect more the limitation of the social protection mechanism of workfare than any fault with the Programme. The key limitations of workfare in addressing chronic poverty in remote rural areas are assessed as:

- 1) Non-working poor are physically unable to participate – Working on the RCIW Programme involves strenuous physical activity. The elderly, the disabled, the sick and pregnant women are unable to participate in the core projects or the physically demanding micro projects. In discussions with the Programme managers, there was some disagreement about the extent to which the non-working poor were able to participate. The donors said that they were encouraged to participate in the complementary activities but the government representative said that this was a program for the working poor. Because PLA activities had not started in Mugu at the time of data gathering, this could not be assessed.
- 2) Access to Programme reduced if not near major asset like road corridor – The Mugu District has a reasonably concentrated population around the road corridor which has facilitated the participation of 43 percent of households. While this is relatively high compared to the other districts in the Karnali Zone, it is still less than half of the

households. The introduction of PLIC has in some way addressed the issue of households not being near the road, but there are still many households in the district that are unable to access work.

- 3) Programme constructed assets of substandard quality – This was discussed above in the context of the equity-efficiency trade-off; that is, the requirement for labour intensive methods at the cost of quality assets. There is evidence that the assets are sometimes not of a high standard. For example, in Mugu District cement is not used; walls are made of mud and stone and so can be vulnerable to collapse. While more of a Programme-specific issue than a workfare issue more generally, also hindering asset quality was the report in Mugu District that construction materials were often delayed. The Programme can address quality issues to a certain extent but it is likely that they will remain in some form. As discussed earlier in this chapter, the limitation of less than perfect assets must be viewed in light of the fact that an imperfectly constructed asset that is useful to the local population is better than the alternative of no assets at all.
- 4) Less access for women who, even in slack seasons, still need to undertake household duties – Because women shoulder a disproportionate part of the burden of domestic duties, they are less able to participate in programs which involve their time.

The above listed limitations will remain in some form despite modifications to the Programme. However, the Programme can take some action to reduce the impact of these limitations. The Programme-specific aspects which could be altered to somewhat offset the inherent problems of workfare in remote rural areas include:

- a) increasing access of the non-working poor to complementary activities;
- b) ensuring that technical and supervisory skills are of high quality and have experience in labour-intensive construction methods;
- c) extending the coverage of asset creation programs such as PLIC to households not in easy proximity to the core infrastructure project; and,

- d) improving women's access to the Programme by providing childcare services (as is done as part of MEGS in India) and compensating women adequately for their time, such as providing payment for attending training courses. It is key that quality care is provided which goes beyond mere child minding.

Few development programs have all of the solutions for all parts of the population. The four key limitations of the workfare program operating in remote rural environments like Mugu can be ameliorated to a certain extent but will remain and will have to be dealt with by other interventions. These interventions will also have to address the other key constraints for the chronically poor in areas such as health, education and discrimination. Overwhelmingly though, the key limitations of the Programme in Mugu are Programme specific and can be addressed. Even those which, in most of the literature on workfare schemes, are seen as limitations of workfare as a social protection mechanism for the very poor, such as the payment of higher wages, can potentially be addressed by the Programme. A recent WFP review of the RCIW Programme agrees with the finding that it is mostly the Programme which requires changes not the chosen delivery mechanism (WFP, 2005b). It states that despite the criticisms of RCIW "the need for RCIW to continue is greater than ever before" (*ibid*; 5). The review stresses that it is the Programme's design compounded with implementation problems which is the issue, not the concept of workfare in these environments.

5.6 Summary of Main Findings

5.6.1 Chronic Poverty in Mugu District

The fieldwork in Mugu District confirmed that there are spatial concentrations of chronically poor people. There is a distinct geographical aspect to the chronic poverty experienced by the respondents, and reducing their isolation is the population's main priority in their own efforts to improve their well-being. Other dimensions to their poverty such as discrimination, lack of education and lack of access to health facilities were seen as important issues to be overcome, but all were secondary to the geographical constraint.

While geography was the key articulated constraint for the chronically poor, there was no stated desire to move to more integrated areas where economic opportunities could be greater. Indeed, the desire of the respondents to stay with their families in their villages in Mugu District was so great that working on the RCIW Programme was viewed as preferable to migration even if it meant earning less income.

The Programme is viewed as a safety net for the chronically poor, but it is also recognised as having the potential to promote livelihoods. The longer-term development benefit was valued by the chronically poor, providing some hope that, even when the short-term benefits end, the Programme will still have a positive impact on their well-being and potentially provide an escape route from poverty.

5.6.2 What can Workfare do for the Chronically Poor?

The chronically poor receive three key benefits from participating in the RCIW Programme; **income**, **assets** and **insurance**.

The **income** provided by the RCIW Programme is mainly used to cover the interviewed chronically poor's immediate need for food. The food provides valuable calories, improving household members' ability to work and learn. Some households reported also utilising the extra income for schooling and livelihood activities which provides a direct way to address some of the other constraints which are keeping them poor.

The key **asset**, the Sukhadhik-Gamgadhi road, provided through the Programme will reduce isolation and open the district to benefits available in more integrated areas. The constraint of isolation will be dismantled to a certain extent. Already the population is starting to experience some benefits even though the road is not yet motorable and, due to the spatial concentration of the chronically poor in the region, they are the main beneficiaries of the asset creation. The roads may not be of the standard of comparable roads close to Kathmandu where heavy machinery can be used but they function well

enough to justify their construction, especially given that it would be unlikely that they would be constructed at all in the Programme's absence.

Providing the chronically poor participating households with a level of **insurance** in the form of guaranteed annual work allows decisions regarding household welfare to be planned in advance. Having a level of insurance can reduce the need for the chronically poor to engage in unsustainable or unwanted coping strategies.

The impact of the income, assets and insurance offered through the Programme to the chronically poor in Mugu District could all be improved through modifications to the Programme. For the purposes of this analysis, that the Programme is not currently achieving all of its stated objectives is not important. The examination of the Programme flaws and how they can be rectified emphasises the potential capability of the Programme, and this highlights the important point for this analysis, which is that this capability exists.

5.6.3 How can Workfare Address Chronic Poverty?

The RCIW Programme in Mugu District was able to provide income, assets and insurance through: its **use of labour**; **targeting** food insecure households; the **wage rate** that is paid; the **method and type of payment**; the **accompanying strategies**; the **empowerment** of the participants; and, the contribution to **stability**. Not all these components of how the Programme is able to address chronic poverty are currently functioning to their full capacity but, again, it is their potential that is the main concern of this analysis.

The opportunity cost associated with the Programme's **use of labour** was found to be generally low. That is, it was not displacing any particularly productive pursuits and it reduced the search and transport costs associated with finding off-season employment. This means that the transfer benefit, the income the participants receive, is not unduly reduced by productive work forgone. There was an interesting exception to this involving people who used to migrate to India during difficult times, and who earned more than

they do now working on RCIW, but who prefer to work on RCIW as it allows them to be with their families. This has benefits for other members of the household and it indicates that the costs of some coping strategies may sometimes be hidden. The use of labour was also shown to be key as, without it, assets could not be created and it is these assets which are facilitating the breakdown of the chronically poor's isolation constraint. It is also important for the reasons of empowerment and skills transfer.

Correct **targeting** ensures that the income and insurance benefits of the Programme accrue to the most food insecure households. At the household level, the Programme is self-targeting; that is, households identify themselves as requiring work. At the individual level, the Programme no longer becomes self-targeting. Due to resource constraints the Programme cannot accommodate everyone who would like to work. The most chronically poor do receive some concessions to improve their access to work (in the form of two household members being allowed to participate in the Programme) but, if there were no constraints to participation, chronically poor households would be able to make their own decisions about how to best maximise their welfare.

The higher the **wage rate**, the larger the transfer of resources to the chronically poor, which impacts on their asset accumulation and their income. The wage rate is set low for the Programme, as it is for most workfare programs, but the method of the wage calculation, combined with the increased value of the wage due to geographical factors (limited market access pushing up the price of goods in remote areas) meant that the actual wage received for RCIW Programme participants was generally higher than the average wage. This has positive implications for the Programme's ability to address chronic poverty, but this benefit was reduced due to the resource limitations which have restricted working days.

The piece rate **method of payment** utilised by the Programme is popular with the chronically poor. It allows flexible use of household resources to maximise income. The **type of payment** offered by the Programme, rice, is also popular with the chronically poor as it provides them with access to a commodity that they would otherwise be unable

to afford but to a certain extent it is draining the Programme of valuable resources. Payments in maize may not be as popular with the chronically poor, but maize may have the benefit of excluding the less poor households and therefore allowing an increase in transfers to chronically poor households.

The benefits the road will bring to the chronically poor in the future are enhanced by the Programme's **accompanying strategies**. In Mugu District the micro projects are in their early stages and most complementary activities are yet to begin, but there is tremendous enthusiasm for them amongst the chronically poor. The road alone would assist the chronically poor, but preparing the population to make the best use of the road to enhance their livelihoods and well-being is a sensible strategy.

Despite their extreme needs, the chronically poor in Mugu District have been effectively ignored by development programs in Nepal. This isolation has impacted on the population's **empowerment** which affects their ability to demand their rights and have the confidence to pursue different livelihood strategies. The road building activity actively tries to provide leadership skills to community members and promote a feeling of unity. Other complementary activities yet to begin in Mugu District will further develop this and provide other skills. By becoming more vocal and confident, Programme participants have greater options open to them to define their futures.

The contribution to the **stability** of a country or region that social protection mechanisms can offer should not be underestimated. Nepal experienced ten years of often extremely violent fighting which initially stemmed from a political party being able to mobilise a body of fighters from two districts who felt that their basic needs were not being met and that they were being ignored by the state. When parts of any population are ignored there is the potential for unrest, and this has been well demonstrated in the case of Nepal. Although the Programme cannot take any of the credit for the peace agreement signed in 2006, its continued operation can only help to consolidate peace in Nepal. This additional constraint of conflict on the chronically poor has now been lifted.

CHAPTER 6

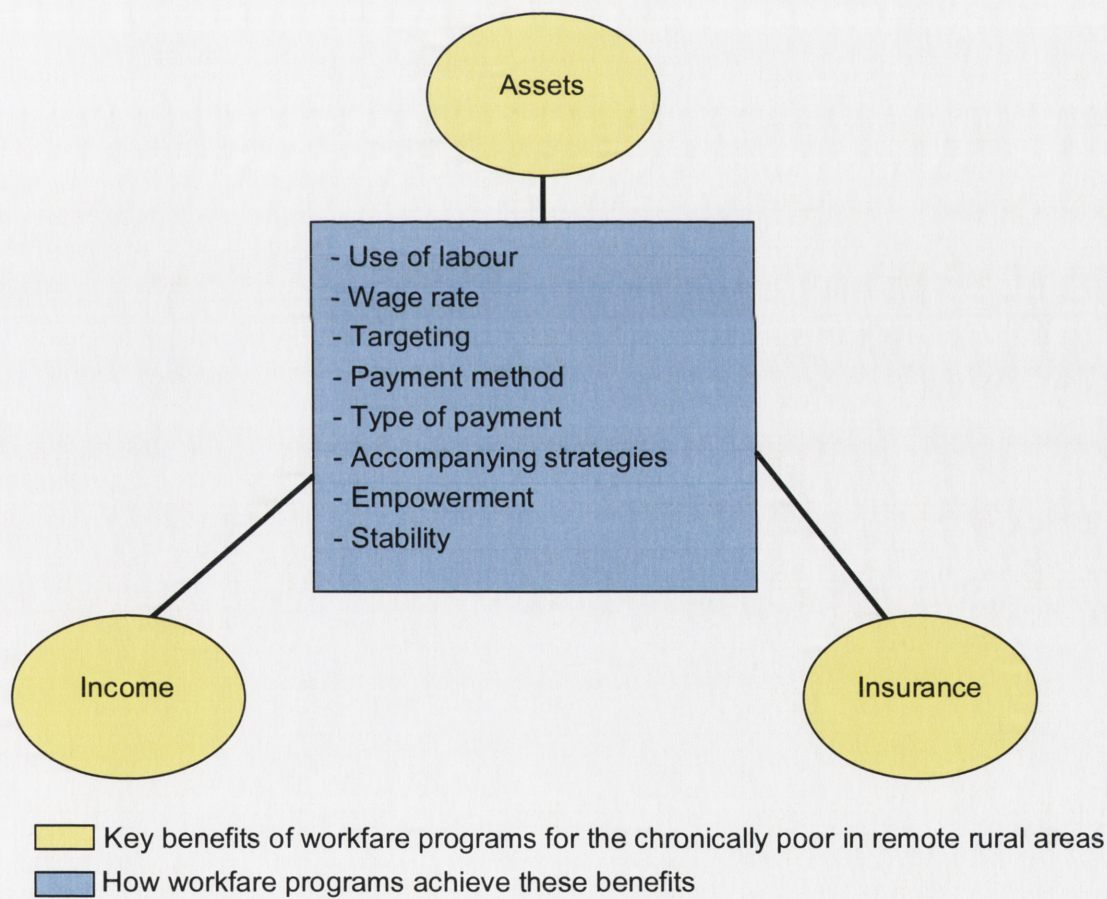
Conclusion

This thesis has analysed the synergies between chronic poverty, social protection and remote rural areas, especially mountainous areas. Given the particular characteristics of chronic poverty and remote rural areas, social protection theoretically appeared to be a good match in being able to address some of the main constraints of the chronically poor living in these areas. This theory was tested in Mugu District of the extremely deprived Karnali Zone of Mid Western Nepal, and the findings were largely supportive of the hypothesis. Although the social protection mechanism examined, the workfare program, was not operating to its full capacity in the case study area, it clearly has the necessary capabilities to address some of the main concerns of the chronically poor. In particular, it has the potential to address the key articulated constraint experienced by the chronically poor, which is isolation from markets and basic services experienced as a result of living in a remote rural mountainous region.

The poor in Nepal are not a homogenous group; 31 percent of Nepal's population are assessed to be in poverty, but those in chronic poverty, such as the majority of the population in the case study area, require a recognition of the particular nature of their vulnerability, and the various constraints prohibiting them from exiting poverty, in order that appropriate strategies are used to address these conditions. How best to protect existing livelihoods and promote alternatives can only be determined through social protection and other development strategies if there is a clear understanding of the needs of the population. This thesis has argued that the workfare program has some inherent advantages which allow it to address some of the specific needs of the chronically poor in remote rural areas and it is able to effectively function as both an *ex ante* and *ex poste* measure in addressing these needs.

As per Diagram 4 below, workfare programs are shown to be able to provide three main benefits - income, assets and insurance - that the chronically poor need in order to assist them to extricate themselves from chronic poverty. It is not a cure-all, and other supportive interventions are required (such as interventions which improve health and education services and break down entrenched discriminatory practices), but it does lay the foundations for the chronically poor to be able to help themselves. How it is able to achieve these results all fit well with the specific nature of chronic poverty and remote rural areas and all work to assist the chronically poor to not fall further into poverty and to support exit strategies from poverty.

Diagram 4 – Workfare – Benefiting the Chronically Poor in Remote Rural Areas



Source: Author

In terms of what workfare is able to do for the chronically poor in remote rural areas, the results of the case study were strongest in the areas of assets and income. It is well acknowledged in the literature that a lack of assets provide one of the key obstacles to the chronically poor being able to escape from poverty. Ownership of assets reduces the vulnerability of the population. The RCIW Programme participants showed particular enthusiasm for this part of the Programme even though most of the assets being constructed were communal. They recognise that isolation is the key constraint which is keeping them poor and addressing this constraint, through the construction of the communal asset of the road, has the potential to provide them with a number of opportunities which they assessed as being able to significantly improve their well-being. When the road is completed, there is still scope for the Programme to continue providing assets, for example, health and sanitation facilities and assets such as irrigation which would improve livelihoods. In remote rural areas, where there are spatial concentrations of chronic poverty, the benefit of workfare programs in terms of the provision of assets is potentially higher than for more integrated areas as the benefits from nearly all of the constructed assets accrue to the target population. In more integrated areas, evidence shows that they tend to accrue to others, often the non-poor.

In relation to the provision of income, the case study showed a particular appreciation among Programme participants of this short-term benefit. A lack of income in the short-term is typically associated with transitional poverty but not having enough food to eat is also a very real problem of the chronically poor which can entrench long-term poverty in a number of ways such as the health and productivity impacts of low calorie intake and being away from the household pursuing coping strategies, which was shown to negatively impact on things such as children's schooling. Income can also more directly impact on longer-term welfare when enough work is provided to cover immediate consumption needs, leaving funds to be invested for the long-term in such things as livelihoods and education which can help to dismantle chronic poverty.

The benefit of the insurance function of workfare programs was less evident in the case study analysis than that of the provision of assets and income, but this was perhaps more because of the current functioning of the RCIW Programme than any inherent weakness in workfare as a social protection mechanism. There was some insurance benefit realised within the case-study analysis, but there was no evidence of people now undertaking more productive strategies because the Programme had reduced risks. This can be blamed to some extent on the problem of limited work days offered by the Programme, but it could also be due to the fact that in remote rural areas, such as the Karnali Zone, livelihood options are extremely limited. If RCIW remains after the road is completed and operating, and thus the isolation constraint is addressed to a certain extent, it is more likely that people will then start to appreciate the insurance benefit that RCIW offers and take some risks to improve their livelihoods with the knowledge that the RCIW will be there as a safety net to catch them if required. Having this reliable safety net has the ability to perform both income protection and promotion functions.

In the context of the insurance benefit, it is important to note that the existence of the workfare program in the case study area has not resulted in the crowding out of well-functioning traditional safety nets, primarily because these safety nets did not exist. The spatial concentration of chronically poor people reduced the number of effective coping strategies as poor-to-poor transfers offer little assistance in difficult periods. The coping strategies being utilised were mostly undesirable or unsustainable; both offering inadequate security.

The benefits of income, assets and insurance can assist in providing an exit route from chronic poverty, but the issue of “distance” referred to in Chapter 2 remains. Many of the poor who are able to extricate themselves from poverty do not rise far above the poverty line. The case study data did not allow an analysis of this issue because the majority of the chronically poor in the Karnali Zone are yet to exit poverty, but it is an important area for future research.

The ways in which the income, asset and insurance benefits are earned by the chronically poor in remote rural areas are as important as the benefits themselves. The eight key elements of workfare programs listed below enhance the ability of the programs to provide the benefits that address the particular needs of the chronically poor in remote rural areas. These components are:

- 1) Use of labour – Without the labour intensive approach of workfare programs, only a transfer could be made and there would be no asset construction, which is key to assisting the chronically poor. Using labour in a remote area does not have the same opportunity cost as in more integrated areas with greater access to employment opportunities.
- 2) Targeting – If a workfare program is truly self-targeting, it allows the chronically poor to utilise their household resources to maximise their welfare. Errors of exclusion can be eliminated.
- 3) Wage rate – There is a greater potential to pay higher wages in remote rural areas where there is a spatial concentration of chronically poor, especially if participation is restricted to those from the target geographical area. The cost of the inclusion errors would be lower than in more integrated areas especially if payment is made in a poor person's commodity.
- 4) Method of payment – The flexibility of the piece-rate method suits the chronically poor.
- 5) Type of payment – Food is preferred in remote rural areas as the chronically poor have a need for an immediate calorie boost if food insecure and, in remote rural areas, the isolation from markets means that it could take a long time to purchase this food with cash. If a poor person's food is used, such as maize in the case study example, this improves targeting to the chronically poor.
- 6) Accompanying strategies - The chronically poor receive long term benefits from activities that boost their ability to make use of the core asset. Communities can be assisted to make the most from any niche advantages that the remote rural area enjoys.
- 7) Empowerment – The chronically poor require empowerment in part because of their isolation in remote rural areas. Such empowerment strategies can improve the

confidence of the chronically poor to undertake strategies that benefit their well-being and assist them in escaping chronic poverty.

- 8) Stability – The enhancement of stability through access to social protection for poor and vulnerable communities can be extremely important in potentially volatile environments.

These elements assist in providing the asset, income and insurance benefits to the chronically poor in remote rural areas but the complementarity can also be viewed the other way; that is, it is the nature of the poverty and the remoteness of the region which makes the workfare program more successful than in other areas. For example, higher wages do help the chronically poor in more integrated areas too, but it is the geographical constraint experienced in remote rural areas, creating a spatial concentration of chronically poor, which allows the workfare program to pay higher wages in remote rural areas as there is a lower risk of inclusion errors.

What has not been mentioned above, in terms of how workfare programs best provide the benefits to those in chronic poverty, is the length of the program. Chronic poverty is defined by its duration, and any social protection strategies which attempt to address it must be available over the longer term to provide the security of benefits which will protect people from falling further into poverty but also facilitate a sustainable exit from poverty. It is thus a key assumption that workfare programs will only be successful in addressing the constraints of the chronically poor in remote rural areas if they are in place for the length of time appropriate to the need, which is unlikely to be short-term.

Given the strong evidence of the ability of social protection strategies to address chronic poverty, they can no longer be viewed as simple welfare mechanisms. Transfers through social protection mechanisms do not represent charitable handouts, but rather a contribution to the basic entitlements of often-vulnerable populations which assist them to maintain a minimum standard of well-being and support their livelihoods. In choosing appropriate interventions to address the immediate and longer-term needs of the

chronically poor, the choice is not between welfare mechanisms and growth-oriented development interventions. Social protection clearly has the potential to act as both a safety net and a ladder even for the chronically poor who suffer under a number of constraints. It offers active pathways out of chronic poverty and even in performing its safety net function, provides a security of income that has the potential to act as a livelihood promotion measure.

Social protection, and workfare in particular, is extremely well suited to operating in the remote rural mountainous area of the Karnali Zone in Nepal, which has high concentrations of chronically poor. The complementarities are such that, in these environments, it goes beyond being a strategy which *could* be used to address chronic poverty to being a strategy which *should* be used and it has the potential to function similarly well in comparable areas elsewhere.

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Questionnaire – RCIW Participants and Non-Participants

Before the questions were posed to the participants and non-participants, a wealth ranking exercise was undertaken to determine the factors that the residents considered important in determining wealth. As part of this exercise, people were also questioned about harvest and plantation times and when the majority of the population experienced the hungry seasons.

PARTICIPANTS OF RCIW

1) Questions to determine basic details: age; household composition at varying times of the year (including how many contribute economically); ethnicity/caste; gender; schooling; school attendance of male and female children; assets (especially land ownership); access to basic services, e.g. health, education, water, sanitation.

- Chronic poverty:

2) X and X are typically known as the hungry seasons. Do you experience this? *i.e. are there times of the year where you don't have enough food?*

2a) Every year or just some years?

2b) Do these seasons correspond to when RCIW is available?

2c) Now enough food or not? If not, how many months?

2d) Rice received when needed or afterwards?

To facilitate the answering of these questions people were asked to talk about the availability of food throughout the year with local events/festivals marking different points in the year.

3) Has RCIW helped you to improve your life *or* is its value mainly that it has helped things to not get worse?

- **Income:**

4) What do you use your project earnings for?

- **Assets:**

5) How useful do you expect the road/trail you are building will be to you?

5a) What difference will it make to your life? *e.g. What do you expect the benefits will be on completion?*

6) Do you agree with the construction of this road or do you think that there would be more benefit to you/ your community if you were able to construct something else? *e.g.*

a) irrigation b) school building c) sanitation facilities d) water supply

- **Insurance:**

7) How effective has the RCIW program been at providing insurance (i.e. stopping things getting worse) during difficult periods? *e.g. a) enough work when you need it? b) food sufficient?*

8) Before RCIW what did you do during difficult periods? *e.g. migrate, sell assets etc*

8a) What do you do now during difficult periods?

9) Does the existence of the program have any impact on you or your family at other times of the year? *e.g. a) Has the existence of the scheme allowed you to pursue any production strategies that you may not otherwise have pursued because you know if they don't work out you'll have some type of safety net? b) don't go seeking work elsewhere because you know you'll have work near home when needed? c) at the times in the year when RCIW is not operating, is your life any different because you know you'll be able to get work when RCIW starts again?*

- **Labour:**

10) What would you do during the period you work on RCIW if it did not exist? *i.e. what did you do during the RCIW work period before RCIW came to the district?*

11) Would your earnings be comparable (including search and travel costs)?

11a) Do you earn more with RCIW or more with what you used to do?

12) Why do you prefer RCIW? *eg a) less travel search costs, b) stay with family, c) better conditions.*

- **Wages:**

13) What would you like to be paid in? What is best? *eg a) cash, b) rice c) maize d) wheat, e) mixture etc*

13a) Why is this best?

14) How would you like to be paid? *eg a) current method, b) time rate*

14a) Why do you prefer this method?

15) As far as you are aware, has the existence of the program affected wages outside the program? *e.g. since the program started do you know of any changes in wages in the area that you think might be caused by RCIW?*

- **Self Targeting:**

16) What is your assessment of the effectiveness of the targeting of the scheme? *e.g. a) can everyone work who wants to (including other people in your household who'd like to work)? b) is anyone accessing the scheme who shouldn't? c) do you think that it is focused on the poorest community members?*

- **Accompanying strategies:**

17) Do you participate in RCIW's micro projects?

17a) If interviewee is a participant, then: What benefit do you get from participating in these projects (now and after road completion)?

17b) If interviewee is not a participant, then: Would you like to participate and why?

18) Are there other types of micro programs you would like to have access to? *e.g. a) livelihood enhancement, b) microfinance, c) literacy, etc.*

- Empowerment:

19) Has the program affected you in any other way? *e.g. a) leadership roles, b) have any groups formed etc. The information on empowerment is something that was established from general discussions with participants and Programme managers rather than this direct question.*

- Quality:

20) Do you have any concerns about quality and maintenance of roads or other assets?

- General Assessment:

21) What do you like most about RCIW?

21a) What do you most dislike (or would most like to change)?

NON-PARTICIPANTS

1) Questions to determine basic details (same details as for Programme participants).

2) X and X are typically known as the hungry seasons. Do you experience this? Every year or just some years?

3) Why don't you participate in RCIW?

4) Does the existence of the Programme impact your life in any way?